DATA PROCESSING

Computer training

Seminar will explore mysteries of networking

by Stephen Bell

"NETWORKING" is the watchword for information systems of today and the future — or so the experts and computer vendors are fond of telling us.

Interconnection of processors of different sizes will allow you to put your computing, information storage and information analysis capabilities exactly where they are needed.

Yet many people, even long-term computer users, are confused by networking terminology, uncertain of what an information network could offer them and how it would affect their organisation.

On a more general front, they are seeking information on the kind of networking facilities which will be emerging from hardware vendors and the Post Office in the near and long-term future.

Many of the questions could be answered in a two-day seminar sponsored by Victoria University of Wellington's continuing education centre next month.

Representatives of organisations which have already implemented some of the country's more advanced networks will be lined up together with two overseas guests presenting both keynote addresses and separate technical papers.

One of the guest speakers will be Professor Arthur Sale, from the University of Tasmania; scheduled as a keynote speaker at the Computer Society's Queenstown conference early this year, he was unable to attend because of an air strike.

The subject of his addresses to the Wellington seminar were not known as *NBR* went to press — "subjects are very much the choice of the speakers," said an organiser — but Sale is known to have firm views on the political and organisational consequences of technological advance.

Professor David Wheeler, from Cambridge University, will give a technical paper on the Cambridge Digital Ring, the technique developed at the university for local area networking (*NBR*, August 17).

Local speakers include two representatives of Challenge Computers, with one of the country's largest and longest standing commercial computer networks. Bill Smith will be addressing "The Challenge network — past and present", while W P Crighton will talk on "The challenge (to Challenge) of the future".

Wattie Industries' network will supply another commercial perspective, the spokesman this time being not from the user but from hardware supplier IBM.

On the scientific side, Earl King and F C March will be describing experience with the Digital Equipment-based network at the DSIR's Physics and Engineering Laboratory, which is linked into two of the Government's central mainframe computers.

Covering Post Office services, present and future, will be NZPO spokesmen Di Richards and Brian Anderson.

One of the more immediate prospects for PO services is the X.25 public packet-switched network.

A sidelight on X.25 experience will be cast by Mike Kerr, of Civil Aviation, whose Aeronautical Fixed Telecommunications Network already uses X.25.

The crucial question of efficient network management will be addressed by Kerry Meehan, of the State Services Commission, and an introduction to the seminar and to the concept of networking will be given by John Hine, senior lecturer in the university's information science department.

The seminar will be held at the university on November 9 and 10. The fee is $220, or $185 for Computer Society members.

Slowdown, not closure

DURING the recent slump in the small computer business (*NBR*, October 12) the minicomputer market in Auckland was so jittery that one firm only had to take its sign out of the window to clean it, and rumours began to spread that it had gone out of business.

A "For Lease" sign on an adjacent suite of offices didn't help.

Director Kerry Hart assured *NBR* that Computer Dynamics is still very much in business, though it too had been hit by the slowdown in the market.

Hart threw another explanation into the pot, suggesting that businesses might be waiting for the results of the election before making a commitment to capital spending on computers.

The chief factor, though, was the new visibility of the micro merchants with ambitious promises of mini-scale power for micro price.

Their customers, he predicted, would be disappointed and eventually come back to minicomputer systems.

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NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

National Business Review

Incorporating Admark and NZ Data Processing

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Inside

No sign of Erebus flight licence on official file

41. Mr KIRK (Sydenham) to the **Minister of Civil Aviation and Meteorological Services:** Did the ill-fated Antarctic tourist overflight TE 901 have a proper licence issued by the Air Services Licensing Authority to operate, and, if so, when was the licence approved?

Hon. C. C. A. McLACHLAN (Minister of Civil Aviation and Meteorological Services) replied: A continuous air service licence in the name of Air New Zealand Limited authorising the company to carry on an air transport service from any licensed aerodrome in New Zealand to any other licensed aerodrome in New Zealand was in existence at the time of the later Antarctic flights. Earlier Antarctic flights were authorised by temporary licences. The first of the temporary licences was granted on 3 February 1977. Accordingly, a licence existed at the material time authorising a flight from Auckland International Airport to Christchurch International Airport, notwithstanding the fact that such flight included a journey to Antarctica and back.

Ministerial question . . . and answer

by Allan Parker

THE official Register of Air Licences, held by the Ministry of Transport, is difficult to reconcile with a parliamentary assurance by Transport Minister Colin McLachlan that the ill-fated Air New Zealand Erebus flight TE901 was properly licensed.

National Business Review was granted access to the register only after intervention by the Chief Ombudsman, George Laking, but could not find a relevant licence.

We wanted to discover if the DC10 flight which crashed into the Antarctic volcano on November 28, 1979, killing all 257 passengers and crew, was licensed.

If not, the financially-troubled airline might be open to prosecution by the Ministry of Transport. And families seeking damages against the airline could argue that the $42,000 liability limit on Air New Zealand does not apply.

There is case history: in 1966 the Court of Appeal determined that the National Airways Corporation did not have a licence for the DC3 flight that crashed into the Kaimai ranges and that the liability limit (then 5000 pounds) did not apply. That decision led to several changes in the law.

In July this year, *NBR* approached the Ministry of Transport to inspect the Register of Air Licences, which records the decisions of the Air Services Licensing Authority (ASLA). All domestic flights must have a current ASLA-issued licence.

The authority is a separate legal body deemed to be a commission of inquiry. It is closely linked with the Ministry of Transport, and the governing Air Services Licensing Act provides that its register is to be

Continued Page 12

Airline, MOT remain 'satisfied'

AN Air New Zealand spokesman told *NBR* late last week: "We remain satisfied that the Erebus flight was fully licensed in accordance with the MOT requirements.

"We believe further comment should come from them as the issuing authority."

A Ministry of Transport legal spokesman added: "We think there was a licence for the flight."

He understood the licence said by Transport Minister Colin McLachlan in Parliament to be current at the time of the crash "has since been cancelled and reissued in the name of the merged airline." This, he said, was part of a general review of the licences at the time of the Air New Zealand-NAC merger.

"That might account for your not being able to find it in the register."

When we suggested the Act made it clear that amendments, revocations or additions of new terms and conditions to licences "shall be noted" in the register, he said: "You may have been looking at the part of the register that does not record cancellations."

We asked which part of the register did record cancellations. The spokesman replied: "I don't know, I'm not that familiar with the register."

The register certainly records a seven-year continuous air service licence granted to Air New Zealand on September 9, 1980 (No 1465).

It is not, however, described as a new licence arising from a cancellation. Rather, the register states that the licence is a renewal of licence No 796, issued seven years previously to NAC, on November 26, 1973.

In turn, licence No 796 was a renewal of No 465, issued on September 2, 1966.

Oil from peat bogs?

by Warren Berryman

A JOINT venture involving Fletcher Challenge and Consolidated Minerals will launch a major exploration/research programme in the peat bogs of the Chatham Islands this summer.

The venture follows the breakthrough discovery by Auckland chemist Dr Jim Sprott that Chatham Islands peat can yield a range of fuels.

Sprott has produced diesel fuel, fuel oil, heavy crude, and a residual wax with a high heat value from laboratory samples of the peat.

Fletcher Challenge and Consolidated Minerals have staked claims to most of the peat bogs covering about half the main island to depths of up to 30 metres.

Both companies have conducted negotiations with Chathams Islands landowners and local government.

At the prompting of Consolidated Minerals' technical director and mining engineer Doug Alexander, Consolidated Minerals directors chartered a private plane to fly lawyer Nigel Seabold to the Chathams last March to post notice of claim to the peat under the Coal Mines Act.

Alexander was aware of Chatham Islands peat's distinctive properties — it contained up to 20 per cent montan wax, compared with 4 per cent for other peats.

Montan wax, a substance used in polishes and carbon papers, commands a price of up to $3000 a tonne.

There is a limited market of about 40,000 tonnes a year for montan wax — but it is dominated by the Polish and Germans.

ICI, the DSIR and Karangi Minerals (now defunct) spent hundreds of thousands of dollars on developing a marketable montan wax from the Chathams. They failed.

Continued Page 3

Ex-Lintas executives sell out to Wardlaw agency

by Claudia Perkins

THB new Auckland advertising agency, Murphy Truman — has sold out to Bob Wardlaw Admarketing.

The two principals of Murphy Truman — former SSC&B Lintas executives David Murphy and Richard Truman — will be acting as consultants to the expanded agency.

Bob Wardlaw Admarketing is an accredited advertising agency.

On September 22 Murphy and Truman left the Auckland branch of Lintas, taking most of the staff with them. They intended to set up a new advertising agency, Murphy Truman, immediately, based on clients they had previously serviced at Lintas.

Accordingly, the Murphy Truman agency sought accreditation as an advertising agency on September 24, listing among its clients Aulsebrooks (NZ) Ltd, Feltex Furnishings Group, Leopard Brewery Ltd and others.

Lintas reacted by seeking an interim injunction against their two former executives restraining them from performing any advertising or related services for any clients or prospective clients of Lintas.

The interim injunction was awarded to Lintas on October 12, the judge noting at the time that all the named clients and likely clients were customers of Lintas on the date that Murphy and Truman resigned.

A full injunction was awarded on October 14 and states:

"That the first and second defendants (Murphy and Truman) be restrained from themselves, their agenta or their companies or by any company controlled by them or in which they have an interest, performing any advertising services or any other related services for all companies or individuals that were or had been customers of the Auckland branch of the plaintiff in the three months up to September 22, 1981, for a period until the further order of the court or until December 22, 1981, whichever comes first."

Last week Bob Wardlaw bought out Murphy Trumao — and when *NBR* talked to him he said that David Murphy and Richard Truman had resigned from the company and that he had bought the shareholding,. including the accounts that came with them. He listed Aulsebrooks, Feltex, Leopard Breweries and Dominion TV Rentals among his new clients — and says he is acting for them "es of now".

When *NBR* contacted Max Gosling, Sydney-based director of Lintas, who is over here to try and sort thinga out, he said that "the accounts aren't up for sale," adding that "an agency ia appointed by the client."

He said that the clients might have left technically to go to Murphy Truman, but as unaccredited agents, and thus unable to place advertising with the media "in reality it is up in the air."

But Gosling said that several of the clients had asked Lintaa to continue placing advertisements on their behalf, and he had been talking to clients to try to ensure that they didn't get caught in a situation in which they were unable to place advertisements.

He sees the injunction as an effort to make time for things to be sorted out so that nobody "gets caught".

Gosling said he didn't believe the clients thought that they had an alternative to leaving Lintas when Murphy Truman and the 17 other employees walked out on September 22, and the same applied to many of the staff who had left at that time.

Some of those staff members have been reappointed by Lintas and other staff are available from either the Wellington office or from Australia. Gosling emphasised Lintas is still a working agency.

Asked to comment on Truman and Murphy's consultancy capacity with Admarketing, Gosling said: "It seems to me that they are trying to get around it. We would have to ask our solicitors."

Murphy said he felt the judge had made a "very, very harsh decision" and that he was considering an appeal. However, the injunction "only restricts involvement with former Lintas clients" and he and Truman planned to "promote the future operation out of existing clienta," while working in a consultancy capacity for Admarketing. He said the injunction "will give us time to do that."

Murphy said he was surprised at his staff's reaction in walking out. "You don't go around asking your staff what they think of you," he said. "They felt they were not working for Lintas, but for me."

Murphy and Truman do not intend to return the files and artwork they took with them when they left, for any order to do so was omitted from the injunction. However, Lintas will be proceeding with a claim for damages.

As Christmas approaches, the clients caught in the Lintas/Murphy Truman turmoil have made various arrangements for the placement of their advertising. Leopard has, with the agreement of both parties, arranged for its advertising to be placed direct, through the Newspaper Publishers Association pending the outcome of the battle. Some clients such as Feltex have placed advertising through Lintas while others have made independent arrangements.

Week that was

AIR New Zealand abandoned its Wellington-based DC8 services with reports of 300 redundancies resulting from the move. The Prime Minister said a further injection of share capital into the ailing airline was a possibility.

THE Meat Workers' award was settled with the Auckland Freezing Workers Union and the Meat Workers Union falling into line with the going rate in the current award round — 10 per cent.

PENFOLDS Wines (Australia) Ltd was successful in gaining an interim injunction against its former New Zealand associate. The injunction will prevent Penfolds (NZ) Ltd from using the "Penfolds" trade mark on certain flavoured wines.

PETROCORP got its first Eurocredit loan in its own name, according to a manager of the European Banking Corporation Ltd. Part of the loan was refinancing of an earlier Eurocredit negotiated by Offshore Mining Ltd, a Petrocorp subsidiary. The loan was reported to total \$500 million — about half of it for refinancing.

Week to be

MONDAY: 21st South Pacific Conference, Vila, Vanuatu, to Friday.

WEDNESDAY: NZ Manufacturers Federation Convention, Wellington.

Farrier Waimak Ltd, AGM, Christchurch.

THURSDAY: NZ Grocer Manufacturers Association Annual Conference, Wairakei, to Sunday.

Reid Farmers Ltd, AGM, Dunedin.

Ajax GKN Ltd, AGM, Wellington.

Consortium seeks fuel oil from Chathams peat

From Page 1

But Alexander was interested in the wax as a fuel source.

He took samples of the peat to Sprott. And Sprott — in what he described as "a flash of inspiration" — found he could fractionate the wax ioto liquid fuela.

Having worked on samples of crude oil from the McKee well, Sprott found the montan wax to be virtually the same substance as McKee crude.

Sprott's findings enthused Fletcher Challenge. Since the Fletcher Challenge merger, the compaoy had committed a large portion of its income for high-risk ventures such as mining and support of leading-edge technology.

Fletcher Challenge bought a 51 per cent interest in the joint venture by agreeing to manage and finance the Chatham Islands project up to feasibility study stage.

Fletcher Challenge is committed to an initial expenditure of \$500,000 million. After that, Consolidated Minerals will be required to pay its 49 per cent share of further expenditure.

Fletcher Challenge has agreed to lend Consolidated Minerals up to \$120,000 at commercial bank rates to finance its share of expenditure beyond the first \$500,000 put in by Fletcher Challenge.

If the prospect doean't pan out after \$750,000 is speot, Fletcher Challenge will bear all the losses — the initial \$500,000, its share of the second \$250,000, and write off the \$120,000 loan to Consolidated Minerals, said Fletcher Challenge's chief executive of the energy and minerals division, Barrie Dowoey.

If the project looks good at the feasibility study stage, Consolidated Minerals would be expected to contribute its 49 per cent share of expenses from that point on, Downey said.

Downey said Sprott's analysis so far indicated that the peat itself would be heated to release the fuel oils, leaving a by-product char which might be briquetted as solid fuel.

Pattern core drilling of the peat deposits would begin this summer to determine the extent of the deposit and variations in concentrations of montan wax. This work would go hand in hand with Sprott's efforts to scale up his pyrolysis cracking method. Fletcher Challenge was also consulting experts in Ireland and Russia, Downey said.

"At the bottom of the line we will have to beat the price for crude oil. If we can't we're not interested," Downey said.

Downey said Consolidated Minerals initially negotiated deals with landowners under which the landowner of property to be mined would receive an annual rental and shares in the company set-up to develop the resource.

After the peat had been mined and the land restored it would be returned to its initial owner.

Fletcher Challenge, Downey said, had taken a slightly different tack with the landowners. A rental would be paid on the land, mining carried out, and the restored land returned to the landowner.

Downey said the montan wax in the peat rendered the land useless for pastoral use without extensive treatment to detoxify the chemicals in the wax. By stripping off the topsoil, mining the peat, and replacing the topsoil, the farmer would get better grazing land back than the scrub land he started out with, Downey said.

Fletcher Challenge was now seeking the remaining prospecting licences, some of them on Crown land, so the whole bundle of contiguous licences could be considered under the same set of conditions.

The existence of montan wax in New Zealand peats and lignites has been well known for some years. Though hundreds of thousands of dollars have been sunk in attempts to extract and sell this wax, no one came up with the idea of using it as fuel before Alexander and Sprott.

At Alexander's urging, Consolidated Minerals staked its claim to virtually the whole main island in the Chatham group.

Alexander said there were about 70,000 acres of peat lands in the main island with an average depth of 25 to 30 feet. Initial work done by ICI indicated reserves of between 1000 and 2000 million tonnes. This peat averaged 16 to 17 per cent montan wax, of which 75 per cent was crude oil, he said.

Consolidated Minerals, formerly Consolidated Silver, though it still has several mining prospects, has been moribund for some years.

Mining Houses of Australia bought a 25 per cent interest in Consolidated Minerals taking up its initial shares at a par 4 cents and a further lot at 10 cents, said Consolidated Minerals chairman, Warwick White.

Mining House's \$100,000 equity stake gave Consolidated Minerals "financial vitality", White said.

But, White said, Mining Houses was primarily interested in Consolidated Minerals' Transit Beach rutile claim, not peat.

Last July, Mining Houses sold its shares in Consolidated Minerals for 16 cents a share. White said Consolidated Minerals shareholders took up most of these shares, the balance of which were taken up by Broadbank.

Mining Houses is still involved with Consolidated Minerals in a joint venture exploring the rutile claims, White said.

CNG kit goes worldwide

by Ann Taylor

ONE small step for the Wellington Gas Company, one giant leap for Pakistan.

Welgas has been working for several years on a CNG conversion kit for diesel engines. With its Italian partner, Tassari Brothers, it has stolen the march on other companies and patented a kit which allows a diesel engine to operate on 80 per cent CNG and 20 per cent diesel.

The first bulk customer for the new kit will be Pakistan, which intends to convert 10,000 20-tonne trucks.

That country is fast becoming a leader in CNG technology and at a recent Canadian confereoce on the future of methane, the diesel conversion kit was the most popular static display.

Italy, which has previously led the CNG way, has had the diesel technology available for years, but because of the low cost of diesel there it has never made it into a commercial proposition.

Now Tassari Brothers aod Welgas have jointly pateoted kits for a whole spectrum of diesel engine configurations.

Turbo charge, normally aspirated, two cycle and rotary pump diesel engines can now be converted to CNG.

The joint-venture will license companies around the world to make the kits, which should not cost too much more than CNG/petrol dual-fuel systems.

With the many conversion problems resolved, a bonus 10 per cent increase in horse power is being gained from the mix.

Welgas will handle the market in Egypt, the Middle East, South-east Asia, Australasia, the Americas and England. Tassari will handle the other EEC countries, Algeria and Libya. The two will look jointly at the Soviet market.

Welgas chief executive Lloyd Brown is determined "that where possible we will optimise componeotry manufacture here.

"As the industry develops the manufacture of the hesvier items and cyliaders might be warranted," he said.

The week

Carton milk complaint goes to examiner

by Warren Berryman

TRADE and Industry Minister Lance Adams-Schneider, his department and the Milk Board have been named in a restraint of trade complaint addressed to the examiner of commercial practices.

The complaint from the liquid packaging company, Pure Pak (NZ) Ltd, alleges that the Minister, his department and the Milk Board, singly or in concert, prevented Pure Pak from competing in the milk carton market.

Pure Pak also claims that the actions of those named in the complaint gave a distinct commercial advantage to the Dairy Board (which packs milk in Tetra-Pak cartons), the Milk Board (which will market the milk on the domestic market), AHI (which acts as Tetra-Pak's agents) and the AHI glass milk bottle monopoly (which has been freed from competition by excluding Pure Pak from the white milk packaging market).

Pure Pak claims the alleged conspiracy to restrain trade will force the consumer to pay double the price for cartoned white milk than would be paid if Pure Pak could compete.

This price, according to a letter sent by Adams-Schneider to Pure Pak, "is deliberately aimed at minimising the possibility of any serious effects on the present bottling system."

On November 1 last year, Trade and Industry and the Milk Board set prices for white UHT milk produced in the Dairy Board's Tetra-Pak machines against a base price for bottled white milk.

The 500ml cartons price was set at 47 cents a litre above the price of milk in AHI's bottles, on the understanding that when the price of bottled milk went up so would the price of cartoned milk.

White milk in Pure Pak cartons could sell for half this price, the company claims.

Pure Pak concludes that Government's policy is to protect AHI's glass bottle monopoly at the consumer's expense and at the expense of Pure Pak.

Pure Pak alleges that the Dairy Board and Milk Board are taking unfair advantage of their privileged positions as statutory bodies, and by virtue of their positions are able to obtain trading and marketing privileges that are not available to the private sector.

The complaint follows nine years of attempts by Pure Pak to compete on an equal basis in this market.

Pure Pak's complaint is still with the examiner of commercial practices.

Examiner Allan Monaghan said he had not yet acted on the complaint.

Milk Board general manager Hamish Turnbull said he was aware of the complaint but was not fully conversant with its contents.

Blood-alcohol test case delayed

by Stephen Bell

AN expected test-case on the reliability of the evidence of the DSIR's blood-alcohol-measuring computer (*NBR*, June 29) has been postponed, and may well lose the race with the Transport Amendment Bill.

The bill, which aims to end quibbles over correct procedures with blood-alcohol testing, was still with a select committee last week when Parliament rose.

But the court case in which the reliability of computer equipment will be challenged is expected to drag on for some time, if it goes through appeal procedures.

The defence has called in a computer specialist to argue that the minicomputer which forms an integral part of the blood-alcohol testing equipment cannot be said to be sufficiently reliable to give 100 per cent accurate results.

If the case results in acquittal, the consequences would clearly reach far beyond blood-alcohol testing, and cast doubt on any evidence which depended even partly on computer results.

In critical areas, this could bring a demand for tighter quality control standards on computer systems.

The defence argument in the test case will be that — despite the stringent cross-checks provided in the system, whereby duplicate samples are taken from each suspect driver and a check made against a non-computer-controlled analyser — the DSIR personnel who run the system still have insufficient assurance of accuracy.

The DSIR staff "wouldn't know how to fix the machine, so it stands to reason they don't know how it works", and neither did they have a quality-assurance statement from people who *did* know.

The system may well be "99 per cent" reliable, but there was still a finite chance of an inaccurate result.

The proposed amendments to the Transport Act would make such a case much more difficult to argue. They require "a reasonable likelihood of error" to be proved before the defence would be considered adequate.

Cheery signs of economic health

AFTER a series of economic jolts — inflation on the rise, nil growth in recent years, a worsening in the external deficit and some cracks in the "Think Big" strategy — the Government was heartened last week by signs of a healthy upswing.

The cheering news was contained in the latest quarterly survey of business opinion from the Institute of Economic Research.

The September quarter had been one of "strong growth in private activity with increases in output, deliveries and sales over the past three months in all sectors."

Firms saw this growth continuing over the next six months. Investment was expected to pick up slowly during the year, "although it starts from a low base."

That optimism "pervades all sectors," but the most noticeable improvement in activity and outlook was reported in the building and construction sector, which has been depressed since early 1977.

On the other hand, there has been no increase in employment. Respondents expected some increase during the December quarter, but there were signs that skilled labour was becoming harder to obtain.

All sectors foresee continuing inflation, "and there is a strong view among financial institutions that interest rates on long-time loans will increase over the next year." And there was "widespread concern of price and interest rate rises which could undermine a sustained growth path."

Oil companies waiting for float

THE oil companies share of the synthetic fuels plant, in the pipeline since the project was first suggested, is making slow progress. The oil companies are to be offered a 25 per cent share in the project but have not been supplied with any details yet.

Petrochem, the company building the ammonia urea plant in Taranaki was to have gone partially public. But a DFC report found the risk was too great for the public to stomach and it was never done.

The Synthetic Fuels Corporation, currently owned 50:50 by Mobil and the Government is to change to a 25 per cent Mobil, 75 per cent Government holding when the project is firmly on the rails.

The Government will continue to underwrite 75 per cent but it has always been assumed the other oil companies would take up a 25 per cent shareholding.

A corporation spokesman said it suits the oil companies to sound miffed at the moment. "They would probably like to have been involved at the outset but they'll have to wait until we've got a deal to offer them Their participation is not critical."

Shell chairman David Tudhope said his company's decision would depend on the "fine print". But he was confident that the terms "if they're acceptable to Mobil they'll be acceptable to us."

A BP spokesman was less enthusiastic. "What is the word when people take you for granted," he pondered. He said his company would be keen to take up a share.

Viewdata postponed

A DECISION on viewdata has been shelved until after the election.

Sources in touch with the television and information service said the cause for the delay was that viewdata is a classic subject for the Government-versus-private enterprise debate — hardly an ideal topic for pre-election pondering.

The viewdata debate has been going on for over a year. But Broadcasting Minister Warren Cooper maintains there is still "further work to be done". The field was still developing and the Government wanted to make sure this country got the best of the new technology, he said. But people in the electronics information business are quick to point out that the technology is unlikely to come to a standstill for a long time and it might be better to jump on the moving vehicle and ride it now.

Editorial

BORTHWICKS-CWS and freezing industry unions were thwarted last week from proceeding with negotiations on a concept that looked ominously — to employers and farmers — like a major bridgehead to the four-day week.

In the circumstances — especially with an election but a few weeks away — the Government could be forgiven for opting to step in, inviting the condemnation that inevitably follows its intervention in industrial negotiations between a company and its employees' representatives. Normally, such condemnation would be justified. The issue here is much more complex; the ramifications extend far beyond the parties directly involved.

The trade union movement began campaigning for a shorter working week (with no loss of wages) last year. The 35-hour week is regarded by union leaders as a major way of allowing more people to work.

The FOL conference in May decided to continue to push for the 35-hour week, insisting it did not support the use of shorter working hours to increase overtime, but that it recognised the shortened week as a way of spreading available work and part of the answer in resolving the question of redundancies.

But stacked up against the FOL is the vehement hostility of major business and farming lobbies. Therein lie the political realities which Muldoon must quickly have appreciated. And each of these lobbies has been articulating economic arguments with which he would concur, (although they should be open to testing debate).

The Employers Federation maintains that the likely outcome of a shorter week will be greater labour costs, resulting in more redundancy, more unemployment and a worsening of the country's overall economic situation. The right time to introduce a shorter working week is "when employees are prepared to trade increases in income for greater leisure, thus minimising the adverse effects on production, prices and competitiveness", according to the federation.

The Manufacturers Federation regards the 35-hour week as unrealistic; it dismisses the union campaign as a massive wage claim in disguise.

And if one industry accepted the shorter week concept, there would be a flow-on to other industries, and the country's economic performance would decline leaving lower living standards and higher unemployment, federation president Laurie Stevens argues.

Federated Farmers Dominion president Rob Storey made his views firmly known in July: the introduction of new technology in the killing industry would be of little effect if a 35-hour working week was introduced. Storey raised the spectre of a shorter, less productive working week nullifying the gains from new technology, and of social pressures causing substantial conflict if some sectors were working a shorter week while others - like farmers — were working up to 60 hours.

The Chamber of Commerce indicated in April that it would not oppose a 35-hour week — provided the FOL could guarantee that productivity would increase and inflation fall as a result. In July the chambers had a change of heart, rejecting the union claim of fewer hours for the same pay as a selfish proposal which would damage the economy and be detrimental to all New Zealanders.

The Government has been concerned about the union campaign for several months. Labour Minister Jim Bolger has echoed the economic objections of business leaders. He said in April: "The determination of hours and conditions of work is primarily that of the employer and the relevant union, and the Government is reluctant to involve itself in those discussions". But he also said he would be surprised if employers were not aware of the implications of certain unions gaining a concession, because that would almost certainly be used as a precedent by other unions trying to gain the same conditions.

In light of the opposition to the shorter week, it was inevitable that Borthwicks-CWS and the unions would fly into flak when they made known the nature of their negotiations on the concept of a four-day roster, 32-hour week at the Longburn works to replace the existing five-day 40-hour week and facilitate the introduction of new technology. The company's capacity to lift productivity to levels which make for an acceptable bargain with the unions from the company's point of view was immaterial to the precedent that would be set. Borthwicks-CWS was the thin edge of what the rest of an industry susceptible to industrial disruption regarded as a dangerous wedge.

New technology is vital for an industry in which killing costs have risen so substantially as to become a disincentive to sheep farming. Curiously, Borthwicks and the unions were discussing their own proposals at the same time as both were party to industry consultations involving management and unions, aimed at finding a mutually agreeable formula for the introduction of new technology. Indeed, a Borthwicks-CWS executive was among the joint union-employers team which went to Canada on a recent study trip as a member of the consultative committee. Obviously the company knew of the industry's concerns on the concept it was introducing. Just as obviously, it broke ranks with the rest of the industry.

The reality of increasing automation must still be faced. That reality is that fewer people are needed to produce a given output of goods, which gives industry the capacity to reduce the workforce and increase productivity. A preoccupation with the economic consequences of a shorter working week, alas, obscures the more fundamental social issue. But surrendering our jobs to machines need not be a social tragedy, provided the resultant wealth is appropriately distributed — and provided that society can cope with the increased leisure time. There is concern that people can't cope, that we are fostering idleness and dissoluteness and a consequential decaying of the spirit. The same warnings were sounded 40 years ago about the ruin implicit in a 40-hour week.

— Bob Edlin

Without word of a lie

Out of step?

THEY may be trendy, some even lefty, and perhaps too clever by half . . . but at least those media folk know the time of day, which is more than sometimes can be said for arch-critic Rob Muldoon's own advisers.

A certain major media organisation has already made its travel plans to keep tabs on Muldoon as he jaunts around the countryside this election-year November. Same flights as the PM all the way.

But then a certain discrepancy was noticed. The media's travel times and the Man's kept diverging all along the way.

A quick check told all: someone's aide was plotting travel plans on the office copy of Air New Zealand's domestic timetables. The timetables, that is, that run out at the end of October.

So, perhaps the airline's sole shareholder as well as being the first Kiwi to contribute financially to the rescue of the "Pacific's No 1", might also be the first of many New Zealanders booked on "descheduled" services.

Profitable experience

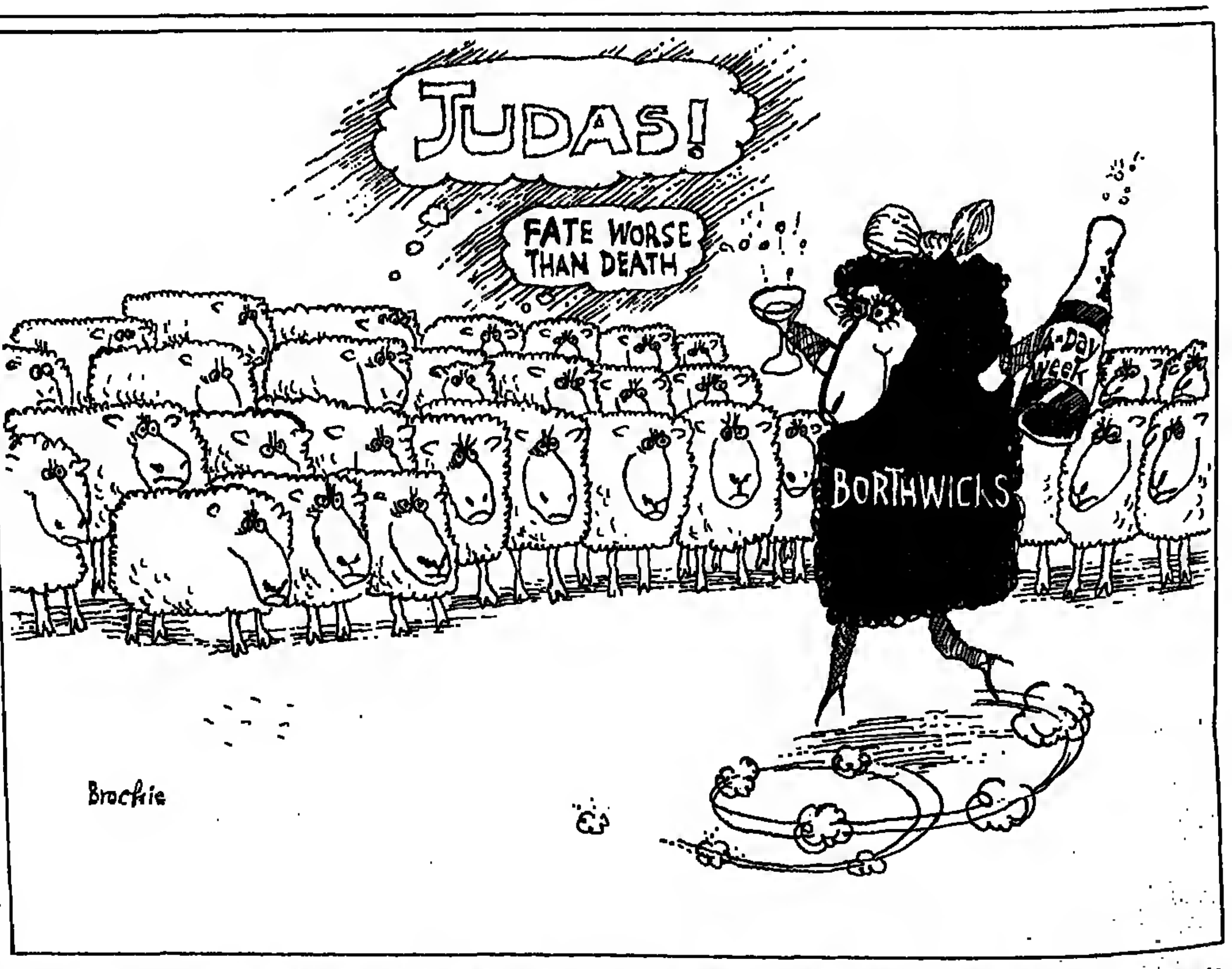
THE Labour Party has spent some time pushing the freedom of information line — but it has become soured at finding how implementation of that policy could be grist to the capitalist mill.

The October 9 issue of the *Main Report* — the "confidential weekly report on significant business information and trends" — began with a condemnation of Labour's new technology policy, dubbing it "one of the most socialistically worker/union directed documents we've read for some time."

But not a worthless policy, apparently. Because the *Main Chance* — sorry, *Report* — is generating a bit of income from it. Subscribers are advised: "We have a copy of the policy — if you want to read it in full, send an MR-sized stamped addressed envelope and we'll shoot you off a copy. For a $1 postal note we'll toss in a copy of the Party's Industrial Relations policy as well."

Smarting from the malignment of the technological policy, the Labour Party authors of it are more than a little peeved at this attempt to cash in — particularly since copies of party policies are available from the Labour Party free.

Brockie's view



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World's airlines tighten their seat belts

THE fare increases on the trans-Atlantic air route between Britain and the United States, which have just become effective, are just another symptom of what is proving to be a very bad year for the world airline industry.

Costs of all kinds have continued to rise, traffic has fallen away as a result of the business recession, and despite fare rises on many world routes earlier this year of about 7 per cent, revenues have failed to keep pace.

As a result, the cumulative losses for the world air transport industry as a whole this year are expected to be in excess of the $NZ1350 million of last year, and there are no signs of any improvement. Many airline executives believe that 1982 will be as bad.

Some of the biggest airlines have been the worst hit. They are tightening their belts to stem the rising tide of losses and to keep costs under control. The main objective is to survive, in the hope of better times perhaps before the mid-1980s.

British Airways incurred a $NZ320 million pre-tax loss in 1980-81 against a $45 million profit in the previous year. It has cut staff by 8 per cent to just over 52,500, and aims to get the total down to 43,000 as soon as possible. Routes have been cut (especially in Britain); flights trimmed back; some pilots grounded temporarily; unwanted aircraft, including two Boeing 747s, sold off; and unwanted assets, such as the Victoria Air Terminal, sold.

BA's basic net operating deficit was about $160 million, but it had to pay a little more than that in interest, primarily in new aircraft (29 Boeing 737s and 19 Boeing 557s). This high interest rate burden will continue for some years to come, as most airlines finance new aircraft purchases over a period of about 10 to 12 years or even longer in some cases.

Pan American, which incurred losses of $265 million in the first half-year, has been told by its bankers to cancel or delay delivery of 10 aircraft and persuade staff to take a 10 per cent pay cut. It has sold its profitable Intercontinental Hotels subsidiary to Grand Metropolitan as part of a plan for a new $250 million credit to ease its financial troubles.

Other major airlines have not yet been forced into quite the same straits but many have deferred equipment purchases or delayed picking up aircraft already ordered. In some cases routes have been cut, or plans to start new ones postponed, flight frequencies have been trimmed, especially in the United States and in some cases staff has been reduced.

The accompanying chart shows that most of the major airlines in Western Europe have recently incurred losses, the exceptions being Swissair, Lufthansa and KLM, and inside the United States, Delta. All these airlines are well-known for exceptionally tough management techniques, tight budgeting, aggressive salesmanship, and among the Europeans, conservative policies on fares.

"THE Pacific's No 1" last week bit the bullet and went to the Government cap in hand for a $30 million cash injection and dropped its DC8 trans-Tasman service out of Wellington, at a cost of 300 jobs for an estimated annual saving of $12 million. With its losses running around $100 million — chairman Bill Mace admits "in the nineties" — Air New Zealand is in real trouble. But it is not alone by any means. The airline industry worldwide is finding 1981 a nightmore year and London Financial Times writer Michael Donne suggests 1982 might not be much better.

Neither Swissair nor Lufthansa has followed British Airways in abolishing first-class in Western Europe. There is no magic formula for success in the airline business, but those losing heavily would like to know the secret of the others' success.

The basic cause of the industry's woes is the business recession, which is now biting deeply. Last year, the effects were bad enough — the 111 member-airlines of the International Air Transport Association lost $1220 million on operating account, rising to $1350 million when interest, taxes and other items were included. But it did not cause an overall reduction in traffic.

In 1980, according to the International Civil Aviation Organisation (the aviation technical agency of the UN), world scheduled passenger traffic fell by 0.5 per cent — the first fall recorded in the post-war period.

This year, with much of the airlines' fat already trimmed off as a result of last year's problems, the situation is expected to worsen.

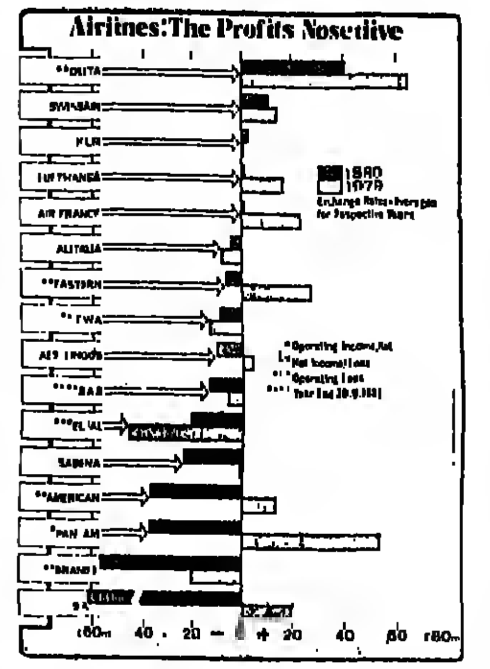
There is little doubt in the minds of most airline executives that fuel-related fare increases are also depressing traffic, especially in the United States and Western Europe.

The cost of fuel now accounts for about 30 per cent of the airlines' operating costs, against about 10 to 12 per cent a decade ago, and it is feared that this figure will go even higher through the 1980s, reaching perhaps 35 per cent before the end of the decade.

A recent survey by IATA of traffic in 1980 showed that the North Atlantic had the lowest growth since 1975, up only 1 per cent to 18.8 million passengers in all, with a gain of 5 per cent in scheduled traffic offset by a fall of 24 per cent in charter travel.

The Atlantic route, served by more than 30 airlines between Europe and North America, is estimated to lose about $600 million a year alone, and it may not be long before some airlines decide to abandon the routes they opened only in the late 1970s. (Western Airlines ended its Gatwick-Anchorage route on October 9.)

One of the difficulties facing the airlines is that, largely because of government and consumer pressures, they cannot put up their fares by the amounts needed to recoup rising costs. Indeed, to do so would depress traffic even further.



The situation is complicated by delays in getting government permission to raise fares. IATA estimates that it takes several months between a fuel price rise, which has to be met immediately, and winning approval for even a partially compensating fares increase. The result is that the airlines say they are running about $1250 million behind in recouping their fuel costs alone.

Significantly, this figure closely matches the overall $1350 million deficit incurred last year. This has led IATA to exert considerable pressure on governments to approve a complex formula enabling airlines to raise fares automatically when fuel prices rise by certain amounts.

This "pass-through" formula has not yet been given approval — governments tend to be wary of surrendering their ultimate control over fares — but IATA has not given up hope of some kind of system to alleviate the cash shortfall.

British airlines are in the vanguard of bids to introduce some types of cheaper fares to the Continent. British Airways has already introduced its "New European Product", abolishing first-class and substituting tourist class for economy class while British Caledonian has consistently sought (with limited success) to introduce a wide range of "Mini-Prix" fares.

But on the Continent, while some airlines, including Air France, have followed British Airways, the tendency is still to look askance at such cuts, arguing strongly that the time is not ripe.

Indeed, the chances of airlines agreeing to — or being able even to consider — fare reductions at this time are remote. They recognise that lower fares lead to increased traffic, but are caught in the squeeze of recession and rising costs which tend to make all thoughts of immediate fare reductions academic. But when overall economic conditions improve, some basic changes in the fares structure will probably occur.

The air traffic controllers' dispute in Britain and America with supporting actions in some other countries, such as Portugal and Canada, have cost the airlines dearly. British Airways alone estimates the British disputes earlier this summer have cost it about 60 million pounds, with flights delayed, re-routed or cancelled outright.

Some analysts have suggested that the current American air traffic controllers' dispute may be a blessing in disguise, forcing a cut of up to 25 per cent in schedules, with consequent savings in costs; few airline executives in the United States would agree.

Ray of light for the jet builders

THE recession and rising costs have come at a time when much of the world aircraft fleet is ageing — more than 2000 jets are more than 13 years old. The airlines will have to replace this equipment (as Air NZ is, with 747s replacing DC10 and DC8 aircraft) and much more through the 1980s with the new-generation jets having substantially improved fuel consumption, lower noise levels and greater payloads.

There are already orders outstanding for some $150,000 million of new equipment, but Boeing, the biggest jet builder in the world, estimates that there will be a demand for up to $14,800 million more new jets — by about 4700 aircraft — by 1991 to meet the replacement market and anticipated traffic growth.

This long-term optimism is the one ray of light in an otherwise gloomy situation. Orders for some new jets have been cancelled, and some deliveries deferred, but the airlines and makers will not reveal how many.

What is clear is that there has been a sharp slowdown in the inflow of new orders this year for all the four major manufacturers — Airbus Industrie, Boeing, Lockhead and McDonnell Douglas.

Airbus Industrie, which is launching its new A-310 while still building up sales of the bigger A-300, is the only one of the four expanding production (from the current three aircraft a month to a planned eight a month by 1984) to meet contracts.

The others are cutting back on wide-body jets. Boeing is cutting back its 747 output from seven aircraft a month last year to three aircraft a month now; McDonnell Douglas has halved DC10 output from 0.83 to 0.43 aircraft a month, while Lockhead is cutting TriStar output from two to 1½ a month, and may cut it further to one a month.

But elsewhere in Boeing, work on development and production of both the new, fuel-improved 767 and 757 is being pushed ahead, although orders are slow for both, while McDonnell Douglas is also fully committed on its new DC9-80 series.

These cutbacks on wide-bodied aircraft will be reflected in lower deliveries to the airlines in the 1983-84 period, and they are also affecting suppliers, such as the engine-makers. Rolls Royce recently told its suppliers that it was reducing supplies of "big thrust" RB-211s for the 747 TriStar, although it is pushing ahead with new, fuel-efficient engines such as the Dash 535.

All the aircraft manufacturers say, however, that the longer-term outlook is brighter. Boeing is discussing sales of at least another 100 jets from the 747 Jumbo down to the small 737-300, but admits the airlines are taking longer to make up their minds on what, and when, to buy.

High interest rates are a particularly significant factor. There is a genuine difficulty in deciding what to buy in many cases — the A-300 and Boeing 767 are closely matched in performance capabilities, as are the A-320 and Boeing 757 — and the ultimate decision often turns on the purchase price and the interest rate the airline can get for the loans.

Letters

Wot, no party poopers . . .?

ABOUT these dancers.
Are there no wallflowers?

J E Nielson
Lower Hutt

RE wallflowers: at the Chief Electoral office's latest estimate last week there were 1,878,658 of us enrolled.

Re dancers: they're no longer with us. Artist David Cowe has a new vision for this week's polls update on Page 37.

— Editor

Politics in Manawatu

ALLAN Parker's report on the politics of the Manawatu, while relatively accurate in its discussion of the situation in Palmerston North, is hopelessly uninformed when it purports to examine the electorate of Manawatu.

Mr Parker pictures the battle in Manawatu as between National and Social Credit and, for good measure, describes Manawatu as a rural electorate. But the truth is that at least 60 per cent of the electorate is urban, and part of rhe city of Palmerston North.

Moreover a telephone poll conducted in Manawatu late last month by myself in conjunction with Radio 2ZA and the *Evening Standard* shows present National support to be about 45 per cent, Labour support at about 30 per cent, and Social Credit at only 23 per cent.

As the Social Credit candidate Ross Doughty has recently conceded, there is little likelihood of Social Credit taking the seat in 1981. Indeed Labour's candidate, Dennis Kessell, still has a better chance of besting National, although the poll results indicate that it is a very slim one.

Thus the major battle in Manawatu in 1981 appears at present to be one between Labour and Social Credit, for second place. In the long term the result of that contest may be far more important than it now appears.

Dr Jack Vowles
History Department
Massey University

Remember our past failings

MAY I add an important caveat to Henry Lang's thoughtful contribution to economic management (*NBR*, October 19). His support for "indicative planning" could easily be interpreted as a return to the NDC exercises of the 1960s.

I am sure that Mr Lang did not intend this, but a major failure of that exercise needs to be emphasised. In it, insufficient attention was paid to the role of prices in a market economy.

In particular, any future indicative planning must be concerned with the wage rate (measured as a cost to the employer) relative to the price of imports and the interest rate relative to the rate of inflation.

If the effective real wage cost is too high, then the processes of import substitution and export expansion will be distorted. If the real interest rate is too low then the investment programme will be distorted.

Since both of these relativities have a major influence on the income distribution it is easy to neglect them in such a political exercise as an indicative plan. The NDC experience shows we neglect them at our economic peril.

Brian Easton
Director,
Institute of Economic Research.

Why single out Social Credit?

IN a recent letter (*NBR*, October 12), J V White calls for a commission of inquiry into Social Credit theories. May I be so bold as to ask Mr White if he would similarly support an inquiry into National Party theories?

Perhaps I am easily confused, but I cannot see what the National party is trying to do with the economy. My economics textbook says that the success of a government's economic policy is measured in terms of employment, price stability, economic growth and balance of payments.

Would Mr White like to explain in which of these four areas the present government is performing adequately?

Steven C Darnold
Alexandra

The answer to all problems

RAISE morale; take a cut; make more money; become a director of Air New Zealand.

G Johnstone
Auckland

Power price to smelter

IN your issue of October 12, you quote me as stating that "if the Government charged Fletchers less than it charges other consumers it would be, in effect, subsidising the second smelter".

The wording in your article tends to suggest that major users must be charged no less than the bulk tariff rate. In fact, my comment related to the profit recovered by the NZED, and should have read as follows:

"If the Government gained a lower rate of profit from Fletchers than it gains from the totality of other consumers, then it would be effectively requiring others to subsidise the second smelter."

The point I was making to your energy reporter was that the base price negotiated with the smelter consortium would show the Ministry of Energy a rate of return which was at least as good as the average rate recovered from other consumers.

Thus, the smelter supply could not reduce average profitability, or require any increase in the general bulk tariff.

B E Brill
Parliamentary Under-Secretary to the Minister of Energy

Fundamentals of interest

THE interest rates article (*NBR*, October 5) demonstrates beyond doubt the absurdity of current thinking on that subject, including Rob Muldoon's.

The problems of what sets interest rates, what is sound finance and what is sound economics must be rethought on the level of fundamentals. Why should a lender be paid interest by a borrower?

In the current economic muddle almost all small savers, who are of course also lenders, are getting back less in real terms than they lend. Savings banks, building societies and other takers of small deposits pay interest rates of about one half, or at best perhaps three-fourths, of the inflation rate. Small savers get interest rates which are negative in real terms. Is this just?

The structure of the existing system forces ordinary people to blow their entire income on buying something now before prices rise.

For many the only alternative to currently spending their whole income is to make savings deposits which in real terms give them back less purchasing power than if they blow the lot.

Borrowing and spending whatever money one can lay one's hands on is now often sound economics from an individual point of view. From the point of view of society as a whole that course is disastrous.

John R Perkins
Tauranga

Politics

'Postive' policies — delivering the real differences

by Colin James

POSTIVE, practical solutions — so promised me the Labour candidate in my electorate.

Having had ephemeral, chimerical, impractical, idealistic, unworkable, fantastic and imaginary solutions waved under the nose of, foisted on, blandished to and propagandised to me over the years, I must say "postive" solutions would be novel.

"Postive" has a nice ring to it. It is a bit like that other splendid word, restive. And not at all like that cacophonous word, active.

Presumably it means something like particularly susceptible to being sent through the post. Or perhaps, as restive has become in old age, it means the opposite of what it seems to mean — not at all right to be put in letterboxes.

Or perhaps, by contrast, "postive" is like suggestive, that most seductive of all the "ivey" words. Come to me, my Labour candidate is perhaps saying, and all will be solutioned.

Seductions, however, often inventively emotive beforehand, are frequently derivative only of immediate ambition.

Afterwards, the seducer might turn from attentive to dismissive, expansive to abrasive; and the seducee from receptive to possessive and thence, depressive, to vindictive.

Seduction may be worth the price; but it has a price.

As Labour, expansive in 1957 and 1972, found to its cost at the hands of a retributive electorate in 1960 and 1975.

Here is the way the postive practical solution that came through my letterbox put it: "National's gamble . . . Government spending. Massive governmental spending on 'Think Big' and huge dole payouts will mean tax increases, further cuts in Government services.

"Labour's plan . . . Government savings. Labour's plan — with increased revenue and savings from scrapping 'Think Big' projects — will provide funds for tax reform and welfare programmes."

Hey presto. You sign the cheque, Labour will relieve you of that fiddly bit about the numbers. And you'll get back more than you wrote down.

Slick? Glib? Paradoxically, it comes in a plain wrapper. Labour's pamphlets — from the party which in 1969 invented the glossy approach to electioneering — are sober in appearance. They *look* practical, at least.

In this, they contrast starkly with the shocking-blue glossies from National.

But, then, it's all relative.

National has spent a lot of energy trying to convince voters — through "costing Labour's promises" — that its own glossily presented policies are the more practical and Labour's mundanely presented policies are impractical.

National says Labour's promises will cost $4000 million plus a year.

Labour says they will cost $1268 million.

Labour has shown little inclination to stop anything National is now doing, except *perhaps* for the "Think Big" projects (it says at least some synthetic petrol will be needed, because of uncertainties of supply, a wise precaution in view of Middle East instability.

So that $1268 million will presumably go on top of the $2100 to $2500 million internal deficit we now have (minus the cost of the dole).

Yet, cake-eaters-and-havers-too, Labourites moan vociferously about the size of that deficit and its constraining effect on their wishes.

Oh, of course, Labour would up the economic growth rate, it says, to at least 3 per cent a year, generating $330 million in extra revenue ($1268 million − $330 million = $938 million).

And, of course, Labour would not try to implement all its policies in the first year. It is a five-year programme ($1268 million — [5 x $330 million plus compounding = about $1750 million] = surplus of about $480 million in year 5).

That 3 per cent might be on the way anyway. Manufacturers have been investing in new plant. There is a tinge of optimism. Maybe a (shrewder than 1972-75?) Labour Government would benefit from that.

But if not, then in the first year of a Labour Government, we would still be under the influence of the National policies Labour says have produced no growth.

And in that first year Labour says it would implement most of its $437 million net (its estimate) "top-tier" programme of employment, agriculture, housing, small business and regional development. In particular Labour is committed to introducing as soon as possible its employment policy costed in 1980 dollars at $140 million.

Without the sort of water-into-wine trick we now know Labour capable of, that seems to imply either more tax or an increased internal deficit.

Yet Labour also pledges to "moderate the growth of the money supply" — which implies cutting back the internal deficit.

And it wants to cut, not raise, personal tax. Ah, but that $860 million is self-financing, Labour says (presumably from the $330 million a year increase in revenue when 3 per cent growth starts).

But that seems to me to put us back in red again ($480 million surplus in the fifth year — $860 million = deficit of $380 million).

Ah, but of course, there is the evaded tax Labour will collect, especially from the multinationals that have been ripping us off — and from the monopolies with their big export incentives. And the foreign exchange surcharge.

(Put export incentives and the surcharge together and it looks suspiciously like a blind for devaluation — note also its proposal to suspend "temporarily" the downward float.)

The figures at this point become hazy (though no doubt Labour boffins have full explanations).

And maybe Labour will widen the tax base: It has talked about retail sales tax.

But it has shown little enthusiasm for indirect tax of that sort. And the bold suggestions of asset, wealth or factor tax which have bobbed up in the past four years, are all absent from this year's policy.

Labour's tax policy, like National's in the past six years, has now come down to tinkering rather than real reform.

Even under its policies, it will be better for someone on 48 per cent tax to put money into unproductive non-taxable land capital gains income-earning projects (unproductive) instead of taxable job-creating industrial investment income-earning projects. (Edward Heath, that rabid voice from the left, called that sort of thing "the unacceptable face of capitalism".)

But note, of more immediate interest, Labour's framing of the nub of the economic issue: ". . . the New Zealand economy can no longer meet the legitimate aspirations of the people."

It is that single line that, more than anything, marks out the distinction between the two parties' economic policies.

National is much less concerned than Labour with the people's aspirations. Give New Zealand growth, it has been saying in its pamphlets, and leave New Zealanders to get on with their lives. Their aspirations are their own business.

Labour has a clear preconception of those aspirations: more jobs, better housing, education, health and welfare and money in the pocket of low-income families.

Two corollaries flow from the preconception. And, if (I emphasise *if*) one accepts the premise and the corollaries, the bits of the economic policy fit together quite well — certainly it is more internally consistent than in 1978.

One corollary is a greater willingness to get the state involved in people's lives. The state would, under Labour's economic policy, be more involved in channelling investment, setting optimum size of firms, forcing competition and holding prices of Government charges, goods and money.

But there has been a shift. The language is much less control-happy than, for instance, in 1972. The "more market" feeling in National ranks has pulled Labour some way from its old state-blanket stance.

The intention (though, of course, practice might prove different) is to influence matters indirectly.

The second corollary is in focus. Labour's policies are focused internally, National's externally.

Export-led growth is National's rationale. Labour favours exports, of course, but more to relieve balance of payments constraints on internal aspirations.

"If New Zealand wants to create more permanent jobs, it is necessary to earn more foreign exchange to pay for the imports that are necessary" (for the jobs), it says.

And "shortage of local demand, needed to maintain and expand industry" is top of its list of "real problems facing the economy".

It is this difference of focus that is at the heart of the argument over "Think Big" and "think balanced".

Is it a difference that the voters will pick up? Is it too subtle, too deep for 11-year-old intelligences?

Of course. But in a sense, perhaps not. Perhaps the voters are capable of sensing the difference subliminally, in the sense of knowing when a party has got out of kilter with their own focus.

If so, the voters' undoubtedly wise choice on November 28 may speak volumes more than we will hear in the first flush of election results.

Where did the so-called socialists go?

by Bob Edlin

RELAX, dear business reader. The mood for socialist economic upheaval which is motivating nationalisation of industry in France and which has just ended 40 years of conservative government in Greece hasn't been virulent enough to infect the Labour Party here. Indeed, if we get landed with a Labour Government next month, and if party promise is translated into effective practice — it's a crucial "if" — the private sector here should find itself enjoying the fruits of rejuvenated growth (sooner than under the Government's economic strategy which emphasises heavy investment in a few large energy-based industries, according to Labour propagandists).

Indeed, the dilemma for true-red socialists will be to find a major party to carry their banner to the polls (while they despair that there is no Tony Benn to represent their reformist concerns in the top echelons of our Labour Party).

The extent to which Labour has taken a sharp right turn (depending on your view of right) is reflected in its tax package. The objective is to cut taxes ("the biggest tax cut in New Zealand's history," Bill Rowling boasts) not to fundamentally redistribute the nation's wealth, to take from the wealthy and give to the poor, but to generate more spending money for promoting consumer-led business growth.

Rowling tells us what has been known for years — the present tax system is "hopelessly distorted and a major brake on the NZ economy." But what should come first? Tax cuts, in the hope they will stimulate economic growth? Or economic growth, before action can be taken on tax reform?

Labour has opted for the first course. Thus the policies so far announced amount essentially to tax cuts, rather than to the more fundamental tax reforms which National is pursuing through the McCaw committee.

So "wot about the workers"? The major thrust of the Labour programme is to create more of them.

Essentially, Labour's aim is to expand export-orientated production — but it challenges the basic assumption of National's growth plan that exports alone will create jobs, and it questions the economic efficacy of investing more than $6000 million in energy-based projects, arguing that there won't be enough left over for expanding other sectors of the economy.

Labour distinguishes its economic policy by emphasising "balance" rather than "think big", and proposes a broadly based strategy which calls for heavy investment across all sectors — agriculture, housing, heavy industry and energy, forestry, tourism, fishing and transport — with a particular concern for the regional spread of development.

Rowling calls it a "five-year recovery programme" which, he insists, has been carefully costed. According to party calculations, the entire programme would cost less than National's contribution to the second aluminium smelter and to the New Zealand Steel expansion (a claim countered by National claims that the costs of Labour's promises are sadly under-stated).

The strategy calls for extra investment of $5800 million over the next five years, which Labour expects will create 123,000 more jobs and generate export-import savings of $1750 million. It expects 37,000 more jobs will be created through an expanded services sector and the public sector.

There must be doubts about where the money will come from (similar doubts surround National's plans). But for campaign purposes, Labour is confident the investment funds will come from the consumer demand which the party expects will result when personal tax cuts put an estimated $860 million more into our pockets in the first year.

But greater consumer demand generally promotes a growth in imports. This would be countered by a surcharge on foreign exchange (bound to become a controversial platform plank) which, more important, would compensate for the revenues lost by the tax cuts.

Rowling says the surcharge will provide extra protection for local industry, discourage luxury imports and discourage undue wastage of foreign exchange.

It will apply to all foreign exchange transactions without exception. Thus it will be a charge on all tourists or permanent emigrants, for example.

But there was an element of vagueness in Rowling's announcement of the plan. For example, he gave no indication of what the surcharge will amount to in percentage terms or in total revenue, except that it would be equivalent to one year's devaluation of the NZ dollar under the present sliding system, which means it could go as high as 6 per cent.

Further curbs on imports are implicit in the promise to review the import licensing system, the objective being to ensure that we get the best value for scarce foreign exchange.

More fundamentally, Labour would put into mothballs — for an undefined period — the Government's policy of creeping devaluation. The implications of this are bound to disquiet the farming community and other exporting sectors concerned to make their goods competitive on international markets.

Rowling recognises the import surcharge as a one-sided devaluation, but counters that the assistance given to exporters "totals well over $700 million, and for manufacturers the export inceative scheme amounts to a one-sided devaluation of more than 14 per cent." Thus the foreign exchange surcharge "merely goes some way towards redressing the present imbalance," Rowling said.

Those export subsidies would be subject to a "comprehensive" review, to ensure they help add to our foreign exchange. It seems unlikely they will be abandoned — but Rowling has made clear his concern that the tax system now results in some very large companies paying no tax or very little.

Similarly, Labour says it will review sales taxes to eliminate distortions and shift the burden from small business.

While the source of investment funds for Labour's grander plans is doubtful, its plans for small and medium businesses are clear: it regards the retention of earnings and finance from the financial institutions as the prime source of money for their expansion. This rationale is reflected in plans to introduce a two-tiered company tax system to encourage profit retention and investment (tax on the first $15,000 of retained earnings would be at a rate of 25 per cent instead of 45 per cent).

To encourage creation of permanent jobs, companies would be able to deduct some of their extra employment costs from their tax bills.

Labour is concerned that individuals are paying nearly 90 per cent of total income tax, while companies are paying only half the share they once did. Wage and salary earners are therefore offered tax-free basic incomes and greater income support for families. But the policy embraces no bold initiatives; it is essentially one of readjustment.

Labour's first budget would provide freedom from taxes for the first $60 a week of individual income; the first $72 a week earned by an individual supporting a non-working spouse; the first $130 a week of any family with at least one child. For each extra child, extra income of $10 will be allowed tax free.

Other features of the policy: increased overtime and shift work rebates (to encourage extra work) and a slight upward shift in marginal tax rates to help reduce the effects of fiscal drag as wage increases push wage earners into higher tax brackets (details so far unspecified).

And so average tax rates would be reduced for all taxpayers, said Rowling — he emphasised that no-one would have a higher average rate of tax (except the tax dodgers?)

The tax base is therefore being readjusted, but there are scant signs of a primary objective of socialist reform — redistribution of wealth. A capital gains tax is not on. The greatest relief is being offered to the middle income bracket — and the policy even benefits high-income earners. But Labour is thinking about the factor tax, whose implementation would have implications for the farming community.

Significantly, Rowling says "the introduction of major new social welfare advances has to await the development of sustainable economic growth."

While the main source of new revenue will be the surcharge on foreign exchange transactions, Labour also plans to crack down on tax evasion; it will focus particularly on multinationals, which it claims are "ripping New Zealand off".

Labour is committed to phasing in its growth policy during its first full year of government, but is confident that it will not be until the second financial year that the full costs of these proposals have to be met. "In the meantime there is enough room to manoeuvre, especially given the high rate of fiscal drag in the present Government's policy. This means that there will be the chance to lower the deficit next year and at the same time start the process of introducing Labour's overall economic policy," Rowling argues.

He assures us that Labour's planned annual growth rate of 3 per cent would generate extra resources for the Government, without any increase in the Government's share of total no-

Continued Page 16

TE901 licence not found on official MOT register

From Page 1

kept by the Secretary for Transport, not the authority.

Our initial approach to inspect the register was rebuffed. We were told it was not a public document.

NBR obtained a legal opinion which supported our claim that the register should be open to inspection by tbir newspaper.

When we produced this written opinion to the MOT we were again rebuffed; the ministry's head office solicitor disagreed with our legal advice and maintained that *NBR* — representing the general public — had no right to inspect the register.

NBR then asked the Chief Ombudsman to intervene on our behalf.

Laking supported *NBR's* legal opinion and concluded we should be allowed to inspect the register, particularly in light of the pending freedom of information legislation (now deferred until next year). He advised the ministry of his decision.

This month, Transport Secretary Arthur Healy wrote to the editor of *NBR*. In part, he said: "The matter has been under investigation by the Chief Ombudsman who has written to me setting out the grounds upon which he has reached the tentative conclusion that I should allow you access to the register, if that remains your wish.

The Erebus disaster . . . was it a domestic or an international route? DSIR photo

"The purpose of this letter is to advise you that in deciding to accept the findings of the Chief Ombudsman I now invite you or any authorised member of your staff to examine the register."

Our conclusion from the subsequent search: there is sufficient ambiguity and confusion within the three-volume register to make it impossible to confirm the ministerial assertion in Parliament on July 17 that Air New Zealand had a current licence for Flight TE901.

Under its governing 1951 Act, the Air Services Licensing Authority can issue two types of air services licence.

It may issue a blanket licence authorising an air service "generally" throughout New Zealand, or it may prescribe such specific details as the class and number of aircraft to be used, a date from which it should start, the localities to be served and the frequency

There is also provision for a temporary licence for no more than one month or for any specified special occasion or occasions.

Standard licences remain in force for seven years, when they must be renewed.

In the case of Air New Zealand, the airline absorbed the existing National Airways Corporation licences when the international and domestic carriers merged oo April 1, 1978.

The relevsnt licences, according to the register of licences, stem from September, 1966, when NAC was granted licence numbers 465 to 469 to operate an air transport service under the standard terms and conditions, last recorded in the New Zealand *Gazette* on February 23, 1978.

Those licences were valid until September 1, 1973. There was then a renewal to September 1, 1980 — another seven-year term.

Finally, last year the licence was renewed until 1987.

But, in practice, the ASLA has usually issued specific licences of the second kind that nominates the class and number of aircraft to be used. This practice is borne out by the Register of Air Licences.

One of the original 1966 licences (No 465) issued to NAC, for example, detailed fleet types and numbers such as 13 F27 aircroft and 13 DC3 aircraft.

Later amendments and modifications to the licence clearly show that the airline sought s licence amendment when fleet configurations changed.

But the practice appeared to stop in 1970, when space ran out on the register page relating to the licence, and no further changes in fleet configuration are recorded in the register on those continuous licences. Perhaps spplications for amendments to the continuous licences also ceased at this time.

The Air Services Licensing Act states: "Every such (licence) amendment or revocation, or addition of new terms and conditions, made pursuant to this section (26) shall be noted in the appropriate register."

NBR could find no such alteratioo in the register that allowed Air New Zealsnd to operate DC10 aircraft during the time of the Erebus crash.

But we were able to find detaila of temporary licences issued to both NAC and Air New Zealand to operate DC10s between New Zealand airports.

The fact that both airlines felt it necessary on several occasions to obtaio temporary licences to operate DC10s internally suggests that the standard seven-year licences were of the second type, specified fleet typea aod numbera — sod so required amendment.

One such temporary licence was issued on January 5, 1976 (No 1023) to NAC. It was a temporary licence "for scheduled services, using two DC8 and two DC10 aircraft on normal NAC airports". The licence was valid from December 24, 1975 to January 20, 1976.

The airline subsequently sought new temporary licences (oumbers 1026, 1032, 1038) which permitted it to operate tbe four aircraft up to April 13, 1976. They then lapsed.

On July 17 this year, ofter publication of *NBR's* atory about our fruitless attempt to inspect the register of air licences, Transport Mioister McLacblan answered a series of questions in Parliament put to him by Labour MP and Air New Zealand watchdog John Kirk.

He said: "The Air New Zealand licence current at the time of tbe accident was granted on January 5, 1976. Its expiry date was August 31, 1980."

NBR could find no licence issued on that date other than the one-month temporary licence, which was valid only until January 20, 1976 — nearly four years before TE901 crashed into Mount Erebus.

The first reference to Air New Zealand within the register is in 1977, when it was granted a series of temporary one-month licences "to operate one DC10 Series 30 for air taxi services between Auckland-Christchurch-Auckland".

The last of these expired on December 12, 1977, according to the register.

No further references are made until 1980, when the airline had its original 1966 and 1973 licences renewed as licence No 1465 on September 9 for a further seven years.

On August 26 this year, Air New Zealand was granted another temporary licence "to carry on scheduled services as detailed in Number 1465" with the following authorised fleet: three 737 aircraft carrying 113 passengers; three 737s carrying 121 passengera; one DC8-52, carrying 138 passengers.

On September 7 this year — three months after the original *NBR* story — the airline was granted "a temporary air service licence to conduct a scenic flight or joy ride service from Auckland using one Boeing 737 of 110 passenger seats".

A key question: if the airline believed it needed temporory licences to operate DC10 aircraft or scenic flights both before ond after the Erebus flight, why not TE901?

Even if the airline considered that its seven-year, continuous air transport service licences were sufficient, the standard terms and conditions as outlined in the New Zealand *Gazette* iodicate it would have required an amendment to operate DC10s on any domestic service.

Section 4 (1) of those conditions details terms for replacement of aircraft.

It states: "Subject always to there being no increase in the number of aircraft as are authorised in the licence, the licensee may at any time replace an aircraft with another of equivalent seating capacity and of substantially the same maximum payload as the aircraft which was prescribed by the (Air Services) Licensing Authority when it granted, amended or renewed the licence . . ."

The *Gazette* notice states that so aircraft with a maximum payload of more than 25 per cent greater than the maximum payload of the aircraft prescribed by the autbority "shall be deemed not to be of substantially the same maximum payload".

It adds that maximum payload "means the difference between the empty weight and either maximum zero fuel weight or maximum certificated take off weight, whichever is the lesser". Empty weight means the weight of the aircraft equipped for the service other than fuel and payload.

According to the Ministry of Transport, the lesser weight is the difference between empty and maximum zero fuel weight.

A DC8-52 has a difference of 22,046 kg between the two measures. A DC10, on the other hand, has a difference of 46,000 kg — more than 100 per cent greater than the DC8 figure ond well beyond the 25 per cent differential prescribed by the authority.

It would thus appear that the airline would need an amendment to its blanket licence if it decided to begin DC10 flights in New Zealand. *NBR* could find no such licence amendment in the register.

The Ministry of Transport keeps a separate volume that records decisions by the Air Services Licensing Authority

George Laking . . . allowed inspection

for amendments to oit licences. It does not, however, record details of the licence applications apart from "approved" or "declined" and dates.

NBR was unable to locate more details of these applications.

The legal validity of this seporate volume is uncertain. It is not part of the three-volume register of air licences prescribed by the governing Act. The search of the register is ss far as *NBR* has been able to investigate licences. The manner in which the records are kept certainly does not provide s clear record of the nature and state of licences, ss the Act would appear to require.

Further confusioo exists over the actual status of Flight TE901.

The tickets were issued on Air New Zealand international flight documents (hence the "TE" prefix to the flight number), not domestic flight tickets.

Whether the ticket contracts are for a domestic or international service is therefore not clear, particularly as the flight left New Zealand territorial limits.

This issue is understood to be at the centre of claims by dependeots and families of nearly 100 Erebus victims. It will undoubtedly mean complex and lengthy legal hearings.

Io our earlier inquiries we were told by the Ministry of Transport to approach Air New Zealand if we wanted to inspect tbe licence itself.

Deputy chairman Des Dalgety told us then that the airline did not have the licences relating to tbe Erebus period. They were held by the authority, he said.

He declined to answer specific questions on the licences.

Institutions opt out — there's an election after all

by Klaus Sorensen

WHERE are the institutions when the market needs them?

The answer is that they are standing well oway from the current market slide and, instead, are salting their cash flow away in short-term debentures and bills as they wait for the market to bottom, and for next year's predicted interest rate spiral.

The market's slide in the past two weeks has been basically due to a lack of institutional buying support — and the private investor looks as if he will have to grin and bear it — because there won't be any institutional buying support for a while yet.

And certainly not before the election.

The institutions will play it safe. Rather than succumb to the temptation of buying into the market at the very bottom and gambling on a favoursble election outcome (whatever that is) they will wait for the election result and then buy selectively — even though they might have to pay 10 per cent more for their stocks than the punters.

But once the election is out of the way and the $220 million cash issue draw-off has been satisfied, private investors can look forward to a little more sanity in the market. Then there will be a few bargain stocks to be bought.

Interestingly these might be more prevalent among the leaders than anywhere else. Fletcher Challenge and Forest Products have taken a hammering and now they are beginning to look very attractive on fundamental — yield ond price earnings — grounds.

There are some surprisingly high tax-free yields lurking around — with a potential for a sharp upside movement once the market recovers. Fletcher Challenge is yielding very well at present, and the 200c share price last week was beginning to make some mouths woter.

The stock is getting very close to what the "chartists" call a buying support level. The word bsrgain begins to apply to FCL once it gets below what some commentators claim is a psychological barrier.

The $64,000 question for the private buyer is: when will the market decide prices have bottomed?

It seems the institutions are leaving that judgment to the small investors — ironic, since the institutions helped cause the slump in the first place.

One analyst told *NBR* "the private investor has been right in selling — because the basic principle of selling is to be able to buy back in more cheaply. Though it's been a bit of a slaughter, I must admit, even the good stuff has gone down.

"The question is should be keep on selling — and I think the answer to that is 'yes' — but only the higb PE, low-yielding shares."

But many of the leading stocks must be down about as low as they should go — "the prospective PE for Forest Products is now 4.8, Fletcher Challenge is 5.2 and that for Feltex is 5.2 also, so they certainly aren't in the pricey category any more."

He believes these fundamental factors stand as the best argument against any further fall in the market.

"Take New Zealand South British; at 80 cents they are yielding around 9 per cent tax-free — and they can pay tax-free dividends for years, so you would think that stocks would be close to the bottom."

The analyst emphasises that the 1974 slump occurred for completely different reasons to this one — where earnings were crashing for the pastoralists and retailers in on economy-led downturn.

Earnings forecasts for 1982 are good. "The NZIER business opinion survey showed this week that people are optimistic and we ore looking at a 3 per cent growth in the economy next year."

The analyst says there is no deep-seated slump in the economy as there was in 1974, "there might be some change in the emphasis of resource use from the domestic to the industrial sector, but all this talk of a credit-squeeze is bullshit — Muldoon has had 12 Budgets and he has never had a credit squeeze yet."

But at the same time the analyst admits the 30 per cent current annual growth in the money supply is "horrendous, the growth in trading bank and finance company deposits has been very fast and as for the 77 per cent increase in car leasing outstandings . . . it has to be dampened down.

"So you could say that while prices are coming down the fundamentals are holding up, with the average PE for the leaders coming back from a prospective 7 to around 5 or 6."

But people have had a severe fright and might be reluctant to re-enter the market. "When you think about it, Fletcher Challenge is down 32 per cent and guys were buying Forest Products as a long-term share at 440c — now they won't buy them at 300c."

This price resistance also works in a slightly different way: "take Brierley Investments; we have guys who say 'Brierley is at 470, my price is 440', so the price comes back to 440 because there has been no buying support for that 30c."

He blames two major factors: "the cash issues, which will at least soon be over, and the threat to forest export incentives, which hasn't been resolved" for the fall, but mentions the legal wrangles over the creatioo of capital reserves for tax-free dividend payments as also having an effect.

"But I'm not a pessimist. I think the market will stay down at least until after the election but the rot we've seen is going to slow down. Nevertheless, it could still come back another 5 per cent because there is still no support for the leaders."

One institutional investment manager told *NBR* last week his organisation has been only "nibbling" at the market in recent months.

"You could say we've been net sellers, but we are also buying a few because there are some very cheap stocks out there. We stopped wholesale selling a month ago and could be described as selective buyers at the moment."

He has found some of the rights issues particularly attractive and while he won't name shares, admits a couple of sectors look good.

But he stresses political uncertainty as his reason for holding back until after the election.

He believes that with forestry, for example, the big problem is the Labour threat to can export incentives. "Of all of them I guess construction looks the best, but we are looking at a bit of retail, too, which will do well under Labour, and so will electronics.

"Housebuilding is another good area if Labour gets in but I wouldn't touch the liquor sectors if Labour got in because of price control, and Labour isn't as kindly disposed to the wine industry as the present Government, either."

In the meantime, "we are keeping things very short, short-term bills and that sort of stuff," said the investment manager.

He expects to be able to get some good fixed term rates next year and is awaiting the details of the Fletcher Challenge debenture issue with interest.

"I've heard it's going to be for about $50 million and with the secondary market for debentures yielding 17.25 per cent they will have to come near that figure."

He says the rise in the secondary market yield has been caused by selling pressure on existing debentures as people sense rates will climb early next year and they want to get liquid to take advantage of these higher rates.

Another institutional man told *NBR* he thought Labour would win the election "and that will do quite a bit of good, what with the $860 million they will release from taxes which will go into cars and housing."

The market uncertainty won't be settled until after the result is known but in the meantime "there are some bloody good underlying factors around such as the PEs and tax-free yields."

He says that if Fletcher Challenge can earn $90 to $95 million on an annual basis in the current year it would provide a PE of under 5, "and say they are paying 17.5 cents, that is 8.75 per cent tax-free yield at the current price which is 22 per cent gross."

The market has been oversold on this basis, but he isn't prepared to say when the market will bottom — having already been wrong once.

"I'm still liquid enough to buy back in straight away, but I don't want to rush in till it bottoms and I don't know when that will be, because I thought Fletcher Challenge had bottomed at 220 and Forest Products at 340," said the investment adviser.

"I'm still quite bullish on the market, even though it is going through the classic bear market process at present, and I think that there will be many fewer cash issues next year because they have got over $200 million so far, and that could mean a tight scrip situation for 1982.

"I've gone into short-term debentures and bills and I'm getting ready to re-enter the market when I'm satisfied it has bottomed. It can't go too much lower, at least among the leading shares, and I reckon if you can buy 5 to 10 per cent from the bottom you are doing well," he said.

As for individual shares, "for the private investor I think Fletcher Challenge at $2 is dirt cheap — though I have several million in the portfolio and that means we are pretty heavily exposed from a weighting point of view.

"What we really need for this type of stock is some overseas buying support — and you won't get that with the way the New Zealand dollar is falling", he concluded.

Finance

Giant FCL pays gigantic fees

by Klaus Sorensen

FLETCHER Challenge Ltd shareholders received a $200,000 shock last week.

That's the maximum amount the country's largest company expects to pay its directors in fees — proving the company is a giant in every way.

Shareholders received their notice of annual meeting last week which seeks among other things to set the remuneration of directors (other than the executive directors) at a maximum of $200,000 — with backdating to boot.

The resolution, if passed, will have effect from January 1, 1981.

This looks set to make Fletcher Challenge the highest payer of any listed company, with an "average" fee for non-executive directors of $18,000.

However, this average figure has to be a "guesstimate", as fees are normally divvied up among the directors at their discretion, with the chairman and deputy chairman usually commanding a premium over their colleagues.

And some companies also pay executive directors, but only notionally, as the fees are remitted back to the company.

The Fletcher Challenge maximum fees of $200,000, and the non-executive average of $18,000, compares with NZ Forest Products which has a $100,000 maximum (increased this year from $55,000) for its directors, of which nine of the 12 members of the board are non-executive — giving an average of $11,000 annually.

Lion Breweries has a $85,000 maximum for directors' fees, and eight non-executive directors, giving a $10,500 per man.

But Lion varies its fees not only between the ordinary members and the chairman and deputy chairman, but also on the basis of which sub-committees directors sit on, and how much time they have to put in at meetings (the average is one and a half days a month).

Hugh Fletcher told *NBR* last week his company's justification for these relatively hefty fees was simple — you have to pay top money to get top people.

He confirmed there were 11 outside directors on the 21 man board who would share the fees, "but the $200,000 is a maximum amount and it won't necessarily all be used.

"One important factor has to be considered; many of our directors have been precluded from taking many other directorships and a number have had to resign because of the conflicts.

"In many cases they are taking a cut in the directorate income they received before the formation of Fletcher Challenge.

"If we are seeking to attract the best we have to recognise they are the people who would get many top directorships — and you could argue they are taking a cut in income to sit on our one board.

"Take my father; he had to give up South British and Dalgety — as well as income from Fletcher and Tasman boards, for the one directorship of Fletcher Challenge — there's no doubt he is a long way down the tubes.

"And John Horrocks and Bill Wilson both gave up their South British directorships to sit on the Fletcher Challenge board."

Fletcher emphasised that he didn't think fees paid would be as much as the maximum $200,000 allowed.

Business week

Alex Harvey Industries Ltd received final statutory consent for the purchase of 1,461,500 ordinary shares in **Canterbury Timber Products Ltd** from **Australian Consolidated Industries Ltd.**

Autocrat Sanyo Holdings (NZ) Ltd: net profit after tax for the half year ended August 31 was $1,353,602 (last year $880,837). An interim dividend of 10 cents per share will be paid on November 3.

Bing Harris and Co Ltd has accepted an offer for the sale of their Victoria St, Wellington property. The sale created a benefit to the company of $955,222.

Canterbury Roller Flour Mills Co Ltd: unaudited profit after tax for the six months ended June 30 was $30,272 (last year $31,358).

Ceramco Ltd announced that it now holds 80.4 per cent of the total issued capital of **Midland Coachlines Ltd.**

Christchurch Gas Coal and Coke Co Ltd: unaudited profit after tax for the half year ended September 30 was $218,895 (last year $353,210). An interim dividend of 7 per cent will be paid on November 25. (Directors noted that **Brierley Investments** held 46.6 per cent of the company's issued capital.)

Christchurch Press Company Ltd: unaudited net profit after tax for the six months ended September 31 was $420,446 (last year same period $358,009). An interim dividend of 5 per cent will be paid on November 9 and there will be a one-for-ten renounceable issue of 204,525 ordinary $1 shares at a premium of $1.50.

Dalhoff and King Holdings Ltd: audited consolidated loss for the 15 months ended June 30 was $103,000 (last year for 12 months $607,000). Directors said the loss was mainly caused by increased interest rates specially in the United States. Steps have been taken to remedy the situation including realisation of a number of assets. A final dividend of 8 per cent will be paid tax free subject to Inland Revenue approval on November 24.

Feltex Industries Ltd, a subsidiary of **Feltex New Zealand Ltd,** has entered into an arrangement to subscribe for 300,000 units in the **Opio Forestry Fund** float.

Ivon Watkins-Dow Ltd agreed to sell the one million shares by private contract they hold in **Canterbury Timber Products Ltd** to **Alex Harvey Industries Ltd.** The agreement is subject to consent under the Commerce and Overseas Investment Acts.

Lane's Industries Ltd: unaudited profit after tax for the half year ended September 30 was $333,222 (last year same period $72,255). An interim dividend of 10 per cent (nil last year) will be paid tax free on November 30.

Lane Walker Rudkin Industries said it was in the market for up to 150,000 ordinary and 12 per cent specified preference shares of the capital of **M O'Brien and Co Ltd** at 75 cents ex-dividend for the ordinary shares and 73 cents for the specified preference shares. O'Brien directors approved the move. After completion LWR's agents withdrew from the market.

Mainzeal Corporation Ltd: audited group profit after tax for the year ended June 30 was $822,471 (last year $688,142). A final dividend of 13 per cent is recommended making a total of 20 per cent (last year 18 per cent). The final dividend will be paid tax free on November 25.

NZ Light Leathers Ltd: unaudited loss for the half year ended June 30 was $115,000 (previous six months loss $1,200,000). Directors said benefits were beginning to arise from the merger with **Amalgamated Products Ltd.**

NZ United Corporation: unaudited group net profit after tax for the half year ended September 30 was $2,489,000 (last year $790,000). An interim dividend of 22 per cent, of which 4 per cent will be tax free, to shareholders who have so elected will be paid on November 20.

Southern Cross Minerals Exploration Ltd reported "highly encouraging" indications from its latest study of the potential of its Talisman Mine at Karangahake.

United Building Society of Christchurch (Permanent) Ltd: unaudited profit for the half year ended September 30 was $21,296 (last year $17,112).

Subject to approval of the Examiner of Commercial Practices **Wattie Industries Ltd** has agreed to sell **H C Kitchen Ltd** to **Fletcher Timber Ltd** for cash.

Indicators

ORDERS (excluding those for mineral fuels) placed overseas by major private importers during August totalled $NZ 208 million, an 8.8 per cent reduction on the July figure.

MINERAL fuel orders for the six months ended August 1981 totalled $717.9 million ($675 million in the previous six months) and private import payments for August were $522 million.

THE Department of Statistics monthly survey points to a total value of $757.9 million in retail sales (last August $528.4 million). After correction for seasonal changes in purchasing patterns and numbers of trading days per month there was a 3.8 per cent increase compared with July, and represented a 23.2 per cent increase over August last year.

FOR the year September there was a net migration loss of 10,797 (last year 11,840).

Stock Exchange weekly review

FOR WEEK FRIDAY OCTOBER 16 TO THURSDAY OCTOBER 22

	Last sale	Week's high	Week's low	Turnover
Airwork, 50c	75	75	75	100
6% pr	125	...	...	0
Ajax G K N	415	...	...	0
Alcan, 50c	188	170	188	4500
A H I	272	272	270	14800
Alliance, 50c	135	148	135	88600
12% conv pr	130	130	130	1200
Allflex	155	158	154	12300
Allied Farmers	340	345	340	28100
12% conv pr	385	385	385	100
A M Bisley, 50c	225	228	225	1100
Ampol Pet, 50c	247	...	...	0
A Beaven	137	137	130	20800
11.5% conv pr	128	130	128	3800
18 con pref	130	130	130	1300
Andas Group	160	180	155	8100
5-8.5% pr	40	...	...	0
12% conv pr	132	...	...	0
ANZ Banking Group	340	342	340	18500
A Wright	375	375	375	300
'A' 8-7.5% pr	70	...	...	0
'B' 6-0% pr	00	...	...	0
A Donnell	355	355	355	800
A Ellis	50	50	50	1500
Ashby Bergh	400	410	400	550
A O Cables	335	...	...	0
Atlas, 50c	71	71	70	13700
10% conv pr	70	70	70	4000
Auck Gas	275	275	275	11400
Aurora, 50c	242	247	242	10600
10% conv pr	280	...	...	0
14% conv nts	185	...	...	0
A C I	270	...	...	0
Autocrat Sanyo	344	350	335	151800
Bailis, 50c	75	75	75	1300
Ballins, 50c	115	122	115	15300
11% conv pr	113	113	113	1800
Bank NSW	488	499	495	2000
Beach Pott, 50c	445	...	...	0
Bendons,	175	178	173	22000
Bing Harris, 50c	86	95	95	4100
B N Z Finance	400	400	400	10500
Bridgevale Mining	82	100	80	52800
Brierley, 50c	440	470	440	75350
18.75% spec pr	105	...	...	0
Bos, 50c	00	85	00	5300
B H P, 200c	1830	1830	1830	50
Brothers, 50c	100	...	...	0
Bunting, 50c	200	220	200	10400
C P D	285	308	285	13300
10% conv pr	380	...	...	0
C F M	355	375	385	1700
12% conv pr	240	240	240	200
Cant Flour	200	200	200	400
Cant Timber	450	460	450	53100
12% conv deb	460	460	450	82300
Capital Radio, 25c	110	110	110	800
Capital Life, 50c	90	90	80	100
Carbonic Ice	275	...	...	0
Carter Holt	385	380	388	11800
CBA Finance, 50c	295	320	295	13400
CCL	240	250	240	2300
Ceramco	244	245	243	14000
12% conv pr	170	...	...	0
15% red spec pr	400	...	...	0
Chenery	290	300	290	1800
Ch'ch Gas	300	300	300	200
Ch'ch Press	400	400	400	2750
City Realties, 10c	50	50	50	18800
Clyde Group	112	115	112	8000
12% conv pr	120	...	...	0
Collingwood, 50c	55	55	55	4000
13% conv pr	50	...	...	0
Col Motor	320	330	320	22000
Colyer Watson	105	105	105	3800
Comalco, 50c	230	235	230	3000
Commend	220	...	...	0
Con Metal, 50c	170	170	170	800
conv pr	200	200	200	300
Con Minerals, 4c	15	17	15	52500
Cooks Wine	110	115	110	5200
Cory-Wright	180	180	180	1100
12% conv pr	215	...	...	0
18.25% conv pr	200	...	...	0
Crown Consolidated	215	220	218	7800
11% conv pr	215	215	215	800
C S R	815	815	815	700
Cue Energy	18	17	18	55300
Options	7	8	8	102000
Dalgety (NZ)	285	275	285	7700
Dalhoff & King, 50c	80	82	80	4000
Deanes	170	170	170	1000
D I C	215	220	215	4800
12% conv pr	187	187	187	400
Dingwall & Paulger	285	285	285	1500
D Mcl Wallace, 50c	94	98	94	17000
12% conv nts	78	78	75	700
11% nts '82	95	85	85	400
Dom Brew, 50c	112	112	107	48800
5% pref	80	...	...	0
11% conv pr	77	77	77	1900
Donaghy's	155	180	155	4800
12% conv pr	178	178	178	1900
D R G, 50c	105	105	105	800
Dunlop (NZ)	380	380	380	1800
4.5% pr	55	...	...	0
Ebbett	145	145	145	800
Ebos, 50c	130	130	130	1800
E Lichtenstein, 50c	385	385	385	2300
Emperor Mines, 10c	178	...	...	0
Endeavour	180	170	160	3200
E Adams	235	235	235	400
Europa pref nt	82	...	...	0
F T C, 50c	127	128	125	17800
11% conv pr	105	107	105	2300
F Walmak, 50c	85	...	...	0
Feltex, 50c	173	177	173	55200
8% pr	177	...	...	0
18% pr	175	177	175	11500
Firestone NZ	130	132	130	5100
Fisher & Paykel	305	315	302	8800
Fletcher-Challenge	200	218	188	227500
15% conv pr	100	100	100	2800
18% conv pr	380	380	380	200
Fountain Corp	80	80	80	200
Foveaux Radio	100	...	...	0
Freightways, 80c	185	185	185	14100
10% conv pr	145	145	145	2400
Gear Meat	83	88	83	7800
11.5% conv pr	85	85	85	1000
G Court	185	185	185	28100
G J Coles, 50c	400	...	...	0
Golden Bay, 50c	88	88	86	32100
Goodman Group	228	228	225	18400
14% conv pr	220	220	220	500
Grosvenor Props	80	80	80	2800

	Last sale	Week's high	Week's low	Turnover
Hellenstein	243	250	243	24800
Hauraki Enterprises, 25c	125	127	120	18500
Hawkins, 50c	112	112	112	15000
8.5% pr	28	...	...	0
H B Farmers	259	...	...	0
13% conv pr	175	...	...	0
Healing	105	175	185	18900
12% conv pr	200	200	197	800
H Pollard	250	...	...	0
10% conv pr	400	...	...	0
Henry Berry, 50c	190	200	190	54200
Holeproof	235	235	235	400
Hume Industries	188	188	188	200
5-7.5% pt pr	41	...	...	0
I C I (NZ)	200	205	200	1500
Ind Broadcasting	80	...	...	0
Independent News	185	190	185	9500
Ind Chem, 50c	215	215	215	8700
I Watkins-Dow, 50c	212	212	212	8900
J Hardy Impey,	243	250	243	5400
James Smith, 50c	95	95	95	1200
14% conv pr	80	...	...	0
12% conv pr	54	...	...	0
J Burns	100	100	90	156300
14% conv pr	215	...	...	0
John Edmond	230	230	230	3300
J Webster, 50c	85	05	85	0200
12% conv pr	65	...	...	0
J Nathan	145	...	...	0
J Rattray	250	250	250	900
12.5% conv pr	210	...	...	0
L W Rudkin, 25c	57	100	93	51900
12% conv pr	132	132	132	200
Lanes, 50c	150	150	120	33500
L D Nathan	220	225	220	11500
9.5% conv debs	227	...	...	0
15.5% conv pr,00	210	210	210	100
Leyland, 50c	185	105	105	100
Lion, 50c	158	150	155	57300
10% conv pr	108	167	166	7100
12% conv pr	133	133	132	7900
L & M Oil, 50c	32	33	32	15300
Lustoroid	240	240	240	3300
Mainzeal Corp, 50c	220	...	...	0
15% conv pr	120	...	...	0
Mair, 50c	305	305	305	1500
11% conv pr	350	...	...	0
Manawatu Knit, 50c	110	...	...	0
Manawatu Radio	110	...	...	0
Manthel	250	250	250	500
Marac	175	178	175	3700
McAlpine, 50c	130	130	130	19500
McKechnie	230	...	...	0
Midland	220	...	...	0
11% conv pr	200			0
Min Resources, 20c	68	08	60	19700
M O'Brien, 50c	75	82	75	178000
12% conv pr	73	73	73	3400
15 conv pr	50	80	51	5800
Montana, 50c	148	148	145	10500
M-P I M	218	218	218	200
Motor Holds, 50c	145	158	145	9400
Motor Trad, 50c	95	...	...	0
5-6% pr	52	...	...	0
11.5% conv pr	52	...	...	0
MSI Corpn, 50c	90	90	85	34500
12% conv pr	85	85	85	700
Mt Cook	190	155	150	21800
conv pr	185	185	165	800
M I M Holds, 50c	778	...	...	0
Nat Insurance, 50c	258	270	258	75300
Naylor	145	...	...	0
5% pr	25	25	25	200
Neil Holdings, 50c	85	85	84	18900
N Z Cement	145	145	140	30800
N Z F C, 50c	123	137	122	8200
11% conv pr	140	...	...	0
N Z Farm Fert	200	200	200	12800
12% conv pr	192	182	192	10000
14% conv pr	170	170	170	800
N Z F P	320	325	318	77800
N Z I G	400	410	400	10100
NZI 10% conv pr	235	...	...	0
N Z Light Leathers	48	50	48	800
N Z Motor Bodies	80	80	75	18200
N Z M C	155	170	165	22800
N Z News	235	238	235	2300
N Z O G	39	38	37	78400
N Z Petrol, 50c	220	...	...	0
N Z Refining	140	142	140	12700
NZSB	80	80	79	410400
N Z Steel	202	202	185	25700
N Z United	580	580	580	10200
Nuhaka	205	205	200	800
Odlins, 50c	80	82	90	72400
'A' 8% pr	20	...	...	0
12.5% conv pr	82	83	82	5800
'B' 13% conv pr	88	58	88	2800
15% con notes	108	110	108	11800
Optical	80	...	...	0
12% conv pr	50	...	...	0
Otago Press & Prod	180	180	178	2300
Pevloc Holdings	240	...	...	0
P O L Holds, 50c	310	310	310	8500
Perm Invest	85	...	...	0
Printing & Packaging	185	188	180	9200
11.5% conv pr	175	175	175	1800
Progressive	158	160	158	25100
12% conv pr	400	...	...	0
Prop Securities, 50c	230	238	230	5800
Prud Building	120	120	120	300
Quill Humphries, 50c	105	110	100	7300
12% conv pr	110	...	...	0
RadioAvon, 25c	125	125	125	400
Radio Otago	100	...	...	0
Regina	150	150	180	1000
R & W Hellaby	88	100	88	5200
Reid Farmers	410	...	...	0
Repco (NZ), 50c	78	78	72	8000
Reverlex	330	330	325	400
Rex Consol	300	300	300	1800
15% conv pr	150	180	180	500
Rheem, 50c	150	150	180	2300
Rothmans, 50c	154	188	182	11100
R W Saunders	330	330	330	700
Salmond	230	230	230	800
Sanford	350	355	350	1100
pr	385	...	...	0
12% conv pr	380	360	360	100
12% 'B' conv pr	160	...	...	0
Schofield	210	...	...	0
Scott, 80c	97	87	87	18100
12.5% conv pr	80	...	...	0
Selby	285	...	...	0
Skellerup, 80c	330	330	330	3700
8-7.5% pr	40	...	...	0

	Last sale	Week's high	Week's low	Turnover
Smith Biolab, 50c	145	148	145	2800
12% conv pr	175	...	...	0
Smiths C M	170	170	170	100
Sthn Cross Hotel	200	200	200	700
Sthn Cross Mins, 20c	38	40	30	55400
S F M	285	290	285	12600
Spedding, 50c	78	78	77	4000
12% conv pr	78	...	...	0
Steel & Tube, 50c	120	123	120	17200
Suckling	185	...	...	0
Taylors	145	...	...	0
12% conv pr	175	175	175	100
Taltherm	180	180	180	100
12% conv pr	145	...	...	0
T J Edmonds	270	275	270	1800
Tolley	185	185	185	5800
Tourist Corp of Fiji	40	...	...	0
Trans Ashburton, 50c	82	...	...	0
TNL Group, 50c	115	118	112	87000
10% conv pr	92	92	88	800
12% conv pr	105	106	105	500
Trans (Nth Cent)	142	...	...	0
13.5% conv pr	115	115	115	100
15% conv pr	115	...	...	0
U E B, 50c	115	118	113	37400
0.5-7.5% pr	120	...	...	0
12% conv pr	100	109	105	5800
16% conv pr	04	65	83	18800
United Bldg	120	...	...	0
United Publishing, 50c	250	260	245	1100
Vacation, 50c	85	88	85	5400
12% conv pr	70	70	70	300
12.5% conv pr	75	...	...	0
Visionhire,	120	125	120	12000
Waitaki-NZR	225	232	225	50800
11.5% conv pr	192	195	192	500
Walker & Hall	400	400	400	5000
Wattie, 50c	202	204	198	93700
12.5% conv pr	112	115	112	2900
10% conv pr	184	104	180	4000
Weigas	415	...	...	0
Westbridge	195	...	...	0
Wilkins & Davies	320	320	320	10000
5.75-7.5% pr	80	...	...	0
W Jeffery	150	160	180	1000
12% conv pr	140	...	...	0
Wilson & Horton	400	400	400	1050
Wilson Distillers	155	...	...	0
Wilson Neill	97	97	97	13200
12% conv pr	140	...	...	0
Winstone, 50c	75	76	74	187800
12% conv pr	55	55	55	3800
W'Wths (NZ)	73	73	73	550
Wormald	340	340	340	200
5-7.5% pr	00	...	...	0
W Sutherland	110	...	...	0
Yates Corp	385	400	390	8700
12% conv pr	175	175	175	900

CNG law changes upset retailers, rival oil suppliers

by Ann Taylor

RIVAL oil contpanies are miffed at amending legislation which will allow Caltex to invest $23 million to set up CNG outlets at petrol stations.

The same legislation has irritated petrol station-owners, who are concerned that their independence from oil supply companies hos been eroded.

The Motor Spirits Distribution Act — "for the purposes of encouraging independent traders and competitive trade" — made it illegal for a wholesaler to hove on "estate" or "interest" in a retail outlet.

But the amending legislation, passed two weeks ago, allows wholesalers to have an interest in CNG and LPG equipment and any changes to land or buildings "essential for the establishment or operation of the equipment".

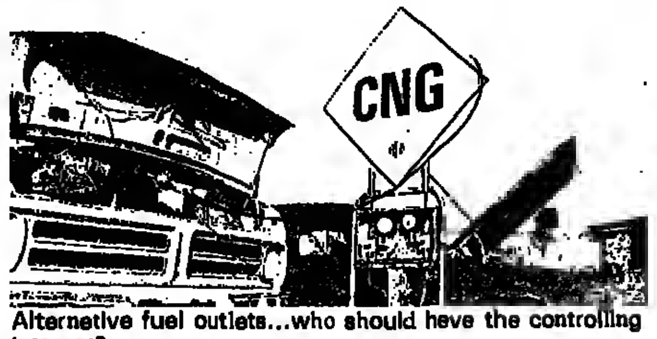
The legislation caught the oil companies by surprise, as it made a speedy passage through Parliament.

And it raises the questions of whether the embryonic indigenous fuels industry will be subject to licensing, and whether distribution of alternative fuels will be through traditional outlets.

CNG and LPG are not atrictly motor spirits. But the Act would have prevented Coltex from financing its chain of "about 50" CNG outlets.

A Ministry of Energy spokesman told *NBR* the amendment merely "opens up a further financing option for petrol station-owners."

But Max Barclay, executive director of the Motor Trades Association which represents the retailers, insists that the legislation "provides an opportunity for wholesalers to get an interest and influence in the retail business."



Alternative fuel outlets...who should have the controlling interest?

In its submissions to the select committee the association soid "the question of independence of retailers has troubled the industry since the early 1950s.

"The Act was introduced to correct distortions in the retail industry caused by keen competition between wholesalers . . the independence of retailers will be rendered largely ineffective by the amendments proposed," the association argued.

Caltex managing director Bill Dunning said his company did not press for the change.

"We made our case to the select committee and just said it would be in the national interest," he said.

"The amendment was initiated by the Government to promote stations going into CNG and LPG . . . to make it easier for supply stations to get finance. The Act needed clarification so that they could accept assistance."

But Barclay mointains that station owners could get the finance themselves.

He acknowledges that "traditionally oil companies hove been the source of finance, motivation and expertise" for station-owners. But the amendment could allow interference in the whole business, he argues.

The wholesaler with an intereat could require s station-owner to open 24 hours a day, move the lube bay to facilitate the CNG compressor or coocentrote resources in particular areas leaving others to languish at the expense of the travelling public.

The other oil companies — and the trade association — support the Government's objective of getting the gos out of the ground and using it.

But the oil companies ore worried that an advantage has been given Caltex, "which hos nailed its flog to the CNG mast".

"We have all been through the experience of competing at the retail end and it is not porticularly good," one oil company spokesman told *NBR*.

"It's the motorist who ends up paying."

The Industry, he said, had been content with the way things were. The licensing outhority has "kept quite tight control on what can be done and what cannot be done."

The independence of retailers was upheld by the 1976 commission of inquiry into the industry. The commission reported that "clearly, wholesalers will exploit any weaknesses in the law if this will give them marketing advantages over o competitor."

In 1963, o chink io the legislation allowed a flood of interest-free or low interest loans on generous terms from wholesslers to retailers who needed it.

The six wholesalers were then forced into competing to provide more generous advances and terms.

In 1966 stability was restored with an agreement on rates.

The Motor Trades Association argued in its submissions that the amendment would make retailers more dependent on wholesalers for the continued provision of facilities.

It submitted that "the primary benefit to a wholesaler of control ond influence over a retailer is the security that the particular site will not be lost to a competitor, that market share will be preserved."

Caltex perhaps didn't appreciate it would raise so many hackles when it took the initiative to secure a substantial slice of the CNG market and retail outlets.

From Page 11

tional income of well over $1600 million in the next five years.

One Labour expectation from its taxation policy is a lessening in demands for higher woge increases, which is important to an attack on inflation.

Rowling promises six basic thrusts to inflotion: greater control over Government charges; reintroduction of a flexible subsidy system; introduction of "tough" onti-monopoly and pro-competition policies; price control on monopolies; graduol winding back of interest rotes with special rates for priority sectors; moderating growth in the money supply.

On the other hand, the "sinking lid" policy in the public service would be abolished, which implies greater public spending (and the financing of a huge internal deficit can be a major inflationary factor). Labour talks of moving towards zero-based budgeting as a means of adequately determining priorities, and of a joint programme with stote unions aimed at promoting efficiency. Viewers of *Yes, Minister* will take a justifiably sceptical view that such good intentions will result in anything of consequence.

Essentially, the anti-inflation package calls out for more detail if voters are to be convinced.

More realistically, Rowling expects no quick improvement in our balance external deficit, because his growth policy will demand overseas capital. "Our best estimate is that we will see the beginnings of improvement in 1983 and more significantly in 1984."

All of this assumes no great upheavals overseas (such as another oil crisis). And there is a basic assumption of an annual growth rate of 3 per cent, providing extra revenue for Government.

The big appeal is the promise that Labour's programme would have a quicker and broader impact on the economy than National's — a return to strong economic growth by 1984. But if the personal tax cuts fail to generate the necessary increase in consumer demand to encourage local producers to take greater investment risks, the programme would be undermined.

The surcharge on foreign exchange (which the Government attocks as "impossible to implement") is potentially damaging to our trading partnerships. It also amounts to o one-sided devaluation with inflationary consequences — and Labour concedes it must get union agreement to moderate wage demonds in lieu of tax cuts. Much will depend on its relationship with the FOL.

Those big companies which would miss out on the goodies from "Think Big" might be less than enthusiastic. And those industries which are targets for tougher price controls under the attack oo "monopolies" (such as the breweries) have cause for apprehension but if Labour were to rejuvenate productivity according to plan, business generally should benefit.

There is much to commend in the vow to spread resources over all sectors, and Labour does hold out the hope that there would be a commitment to a defined programme, and therefore an end to the disruptively erratic stop-go policies of recent years which promote so much business uncertainty.

And if you're looking for a growth industry to plough your money into — well, perhaps you'll have no choice. It looks like the Inland Revenue Department will be called on to more vigorously extract its rightful dues and its investigators can look forward to an era of happy hunting.

Environmentalists 'frighten off' mining equity

by Warren Berryman

THE climate of uncertainty fostered by the growing political strength of the environmental lobby has deterred New Zealand companies from taking an equity position with the mining multinationals — particularly in the Coromandel.

And the assured passage of the Mining Amendment Bill into law, according to Mineral Exploration Association vice-president Peter Roberts, will further strangle the industry.

It will double the time required to obtain a prospecting licence from a currently unacceptoble 18 months to three years, he complains.

The time and expense required to gain s prospecting licence will preclude all but the biggest New Zealand company from mineral exploration and severely curtail the activities of the multinational companies, Roberts said.

He and others in the industry insist that this bill was the final straw. Exploring in this country is not worth the effort.

After attracting mining companies here to spend high-risk millions in exploration on the understanding that a holder of a prospecting licence had an automatic right to mine, the Government will retrospectively take away that right.

Further, its legislation will stack the deck so much in the anti-mining lobby's favour that any single objector could forestall or kill a multi-billion-dollar mine, the industry complains.

At the bill's committee stage, the explorers tried to find a middle ground between themselves and the environmentalists, proposing a new closs of prospecting licence.

This minimum impact licence was to cover work of little or no environmental impact ond to be granted at the Minister's discretion.

The prospecting licence, covering work of a greater environmental impact, and involving a major investment by the explorer, was to carry with it an outomatic right to mine.

At that stoge the explorers were willing to go through all the planning procedures.

The explorer's rationale was essentially this:

Application for a full prospecting licence under the present rules required the explorer to present evidence of how he was going to mine a deposit he had yet to receive permission to seek.

Because preliminary exploration was relatively cheap and likely to cause little, if any, damage, the guaranteed right to mine at this stage was not important, nor were environmental considerations.

At the final prospecting licence stage, when the explorer was in a position to tell the tribunal what he was after and how he might mine it, he was on the verge of a major cspital commitment. Thus he wanted a guaranteed right to mine.

But the bill, as it turned out, doesn't give an inch to the explorers.

It creates a limited-impact prospecting licence, but this licence, if objected to, must go through the same Planning Tribunal procedures as those for an ordinary prospecting licence, neither of which carries an automstic right to mind.

Both Roberts snd Environmental Defence Society executive officer Gary Taylor say that this new class of licence is useless.

As Roberts puts it: "Why go through the hoops to gain a limited-inpoct licence when you can go through the same hoops to get a full prospecting licence?"

Meanwhile the Mines Department has a backlog of more thsn 1000 licence applications.

"The bill does absolutely nothing to resolve that problem," Roberts said.

"In fact, it's going to get a lot worse. While the exploration industry will probably grind on in the near term on ground already granted, you will see a dramatic reduction in effort over the next few yeats. No one new will get in. And those already here will be driven off."

As to the sanctity of contract, Roberts said "no one has sanctity of contract with Government these days. It's just a fact of life. You can't rely on their promises."

Undertakings hod been given when his company came here five years ogo — "and we have been spending a considerable sum of money for the psst five years," Roberts said.

Now the rules had been changed "and ground cut from under us in mid-stream, retrospectively . . ."

"Where we're concerned is if we identify a gold deposit worth say $2 billion and we can't get mining rights to it. Then we would definitely consider suing Government," he soid.

Explorers contacted by *NBR* were obviously frustrated.

Among their grievances:

- Water rights to use 200 to 1000 gallons of water to drill a single drill hole have been held up for a year or more by objectors.
- Local bodies are asking for cash in advance from explorers to cover their inspection costs, plus bonds in cash, to be held for up to five years after work has finished to ensure ogainst restoration of damage.

As one explorer put it, "They are killing the goose before it's had the chance to lay the first golden egg."

Meanwhile the Coromandel Watchdog, a vociferous anti-mining group, wants miners with South African links to get out.

Ironically, its activities appear to have frightened New Zealand companies off mining in Coromandel.

Over the past six months Amoco Minerals, a multinational, has approached at least six major New Zealand companies — Fletchers, NZFP, Cable Price, TNL, Todd Group, and NZ Steel — offering an equity interest in its prospects. None was interested in investing in Coromandel prospects.

According to Roberts, manager of Amoco, the onti-mining climate had much to do with it.

New Greek premier appeals more than he repels

NEW Zealand's balance of trade with Greece falls heavily in New Zealand's favour. In 1980, for example, New Zealand exports to the new European Economic Community member totalled $52 million, while imports reached only $361,000. Thus, the victory for Dr Andreas Papandreou's socialists in last week's Greek general election which broke up the 50-year rule of the right, may have some significance for New Zealand trading interests if the new premier follows the nationalistic style of other recently elected European socialists.

Although Dr Papandreou (right) has been at the centre of Greek politics for two decades, David Tonge of the Financial Times reports that he remains an enigmatic figure.

THE prospect of Dr Andreas Papandreou, the mercurial Greek socialist, becoming Greece's Prime Minister in last week's general election alarmed Nato, made businessmen anxious and affected the drachma.

Dr Papandreou was elected on a platform offering a radical alternative to his country's conservative leadership. He talked of non-alignment, challenged Greek membership of the military wing of Nato, and questioned Greece's links with the EEC.

He alarmed the Greek establishment, because the mood in Greece favoured change.

He says he will socialise most of the country's leading industrial groups, and offers more economic planning and import controls.

He combines elements of Francois Mitterrand, France's socialist President, and of Tony Benn, who leads the radical wing of Britain's opposition Labour Party.

There was a time when people spoke of Greece's economic miracle. That is now a distant memory. A fall in real earnings, 24 per cent inflation and a slump in growth are the realities of today.

The country's much-vaunted accession to the EEC 10 months ago has not led to the cornucopia many Greeks expected.

The Government of George Rallis, the defeated Prime Minister, appeared listless.

The right's rule in Greece dated back, almost unbroken, for about 50 years, and the opinion polls confirmed what any visitor sensed — many Greeks had had enough.

With Constantine Karamanlis as President, many Greeks felt they could vote for a radical shift of government while knowing that, in the last resort, the President offered some guarantee of continuity.

Relations between Karamanlis and Papandreou are good, even if there is an element of father and prodigal son in them.

In Greece's last general election, in 1977, Dr Papandreou's party, Pasok, won a mere 25 per cent of the vote, compared with the 42 per cent won by the New Democracy party.

But Pasok has since picked up the votes of the centre, and of its past leader, George Mavros.

Dr Papandreou has the qualified and uncomfortable support of the Communists — a mixed blessing, because Dr Papandreou is fundamentally anti-Communist, and is determined to avoid being identified with them.

Karamanlis brought Dr Papandreou back from the United States to head a new economic planning unit about 20 years ago. He has been at the centre of politics, through crises and coups, ever since. Yet he remains an enigma.

What he would do once in power, and who his aides will be, were mysteries. This did not harm him. The Greeks are cynical of most politicians.

In the past three years Dr Papandreou has faced the dilemma of all parties of protest suddenly faced with the prospect of power. He bitterly resented suggestions that he had softened his tune, yet the fact is that the ideologue in him co-exists with a pragmatist who knows the Greek political scene like few others.

In 1967 the colonels snatched power from him and his father, George Papandreou, by preventing an election they would certainly have won. Some of his recent policies have been articulated to make sure history does not repeat itself.

A charismatic populist in public, an articulate fatherly tutor in the privacy of his pine-ringed house above Athens, he has twice been imprisoned and forced into exile.

The first occasion was before the war when he went to the United States, becoming a professor of economics at Berkeley University in California. The second was as a result of the colonels' 1967 coup.

He blames Washington for that coup and the later troubles on Cyprus, but he is less hostile to the United States than before.

His calls for the withdrawal from Greece of the United States "bases of death" have long given way to demands that the bases be "isolated" from Greek society. He also says that negotiating on their future status would be delayed until at least March next year.

The defeated Government's talks on the United States bases were suspended four months ago.

On the EEC, earlier demands for a referendum on membership have been replaced by emphasis on re-examining, inside the community, the terms of membership and on seeking special and improved links.

On Nato, his party manifesto talks of questioning Greece's reintegration into the military wing of the Alliance and of removal of nuclear warheads from Greek soil. But suggestions of withdrawal from the alliance are put in the context of the "basic strategic aims" of the dissolution of both Nato and the Warsaw Pact.

Crucially, he leaves the door open for careful relations with the United States by emphasising the need to protect the sources of weapons of the Greek armed forces — these are predominantly American.

Domestically, there is no question of compromise on a host of issues central to the quality of Greek life — such as the introduction of civil marriage, of more rights for women, a shorter working week and protection for trade unionists.

Like Mitterrand, he promises to decentralise government, but unlike him he is prepared to delay "socialising" business. He has said that before trying out his policies of bringing workers and local representatives into the administration of industry, he will try them out on public bodies such as OTE, the telecommunications organisation.

He insists: "We are not miracle workers." He stresses the need first to restore economic health, because a massive public deficit is one problem the next Prime Minister of Greece will have to tackle. A second problem is the need to raise at least $2 billion on the Euromarkets next year.

A sign of his pragmatism is the emphasis he puts on learning from the experience of France under Mitterrand. The maverick of the 1960s and crusader of the early 1970s has attracted followers who wish Pasok to remain the "national liberation movement" which it once proclaimed itself.

Dr Papandreou so controls the party that he can limit such challenges.

The West may still have to accept that he articulates both the frustrations of a long closed society, and the anger of many Greeks who believe their history is that of a pawn on the chessboard of the great powers.

It is questionable how fast and far he will press his slogan of "Greece for the Greeks", but where the Turks are concerned this nationalism could spell difficulties.

Analysing annual accounts: Montana Wines

by Klaus Sorensen

IT SEEMS a shame that probably the best news in the Montana Wines Ltd annual report for the June 30, 1981 year appears in note 7 of the accounts, on Page 29.

The report has a generally high standard of disclosure, but some of the factors most likely to interest shareholders, such as the increase in the value of the Marlborough vineyards and the company's tax position, are buried in the back of the report.

Montana was something of a trail-blazer in establishing its massive Marlborough vineyard at the time it floated in 1973.

But it's a gamble which appears to have paid off handsomely, with the price of grape-growing land in the area having increased many times since then.

So most shareholders would be justified in assuming that Montana's Marlborough property has a market value considerably in excess of book value, and in that case might expect the company to disclose any "hidden treasure" of this nature.

But chairman Doug Brown does not discuss this aspect of the company's investments, and note 7 on Page 29, referring to fixed assets, hardly makes it easy for shareholders to gauge the position.

Total fixed assets after accumulated depreciation are $18.4 million, including land at $7.1 million, buildings at $3.8 million and plant fittings and vehicles of $7.5 million.

Note 1 explains the accounting policy for fixed assets as "certain freehold land and buildings are stated at directors' valuation, less depreciation written off since valuation. Other fixed assets are stated at cost, less depreciation written off to date."

"In the case of Blenheim vineyards, development cost includes interest, financing charges, depreciation of equipment and property holding and administration costs. Costs incurred in developing vineyards have been capitalised as a cost of the vineyard properties and, in the case of fully developed vineyards, are amortised over an estimated productive life of 25 years."

Note 7 shows that land of $7.1 million consists of land — including vineyard development — at cost of $5.9 million, and land at valuation (1976) of $1.3 million, less accumulated depreciation of $147,000.

But at the bottom of this note is a paragraph: "The aggregate latest available valuations by Government or registered valuers of land, including vineyard properties and buildings, including leasehold interests $200,000 adjusted for subsequent movements at cost is $20,544,500 (1980 $12,455,046)."

So the ordinary shareholder might conclude that the $18.4 million book value of fixed assets is worth more like $31 million, and therefore should he not expect his directors to draw attention to this fact — to avoid the attentions of any takeover bidder who sees that the real worth of the shares is considerably more than the disclosed $1.63 a share asset-backing.

The most notable occurence in Montana's trading year was the fact it ran out of tax losses and had to pay tax for the first time.

The result was the company's net profit increase of 9.3 per cent before extraordinaries did not keep up with a speedy 28 per cent increase in sales.

And net profit after extraordinaries was down, leading to a fall in the return on shareholders' funds, from 25.6 per cent to 20.5 per cent.

The profit and loss account shows sales up, from $18.7 million to $23.9 million, and total gross income was up 18.3 per cent, from $9.6 million to $11.4 million. Depreciation, amortisation and interest expenses were up, from $1.6 million to $2.0 million, and the other major expense was "operating costs", up 26 per cent from $3.6 million to $4.3 million.

The pre-tax operating profit was up, from $4.4 million to $4.9 million, and tax on that was $823,000.

The company does not break down operating costs in the notes, but does provide a chart showing the disposition of each dollar of sales income.

This chart details such things as salaries and wages, but also includes "operating costs" which seems a little confusing since salaries and wages aren't shown separately in the P and L.

Nevertheless, for each dollar of sales, materials and other manufacturing costs took 43.8 cents (40.3 cents in 1980) operating costs took 17.2 cents (14.5), salaries and wages took a slightly smaller 14 cents (14.4) depreciation and interest 7.2 cents (7.3) dividend 4.6 cents (5.6) taxation 3.4 cents (nil) and retained earnings 9.8 cents (17.9).

This shows that materials and manufacturing costs, and "operating costs" increased most — along with taxation — at the expense of retained earnings.

But the note on taxation is sure to provoke more head-scratching for the average shareholder as it confronts him with the intricacies of the tax effect accounting and timing differences.

Tax effect accounting of timing differences sets out to take account of expenditure on products — where the revenue from their sale does not immediately accrue.

And there is no separate disclosure for export incentives, either — which would have been informative for shareholders particularly as the company is stepping up its export efforts and this could mean more incentives to offset the newly introduced requirement for paying tax.

The note shows that the income tax expense in the profit and loss account of $823,000 was calculated on the basis of a $2.2 million provision on the pre-tax profit, using the 45 cent tax rate, less tax effects resulting from permanent differences of $70,641 and timing differences of $1,306,283.

It "explains" that "the income tax expense is less than that calculated at the current income tax rate on profit as reported in the accounts. This is due to permanent differences, such as taxation export incentives, and differences in the timing at which income is returned for tax purposes, primarily due to the writing-down of wine stocks to standard values, the writing-off of vineyard development costs and depreciation of plant and equipment."

The note says the tax effect of timing differences which are not recognised as deferred liabilities in the accounts at June 30, 1981, amounts to $5.6 million.

But what shareholders really want to know is what level of tax the company is likely to have to pay in the current year and the year after that.

But on the plus side, the requirement to pay tax — resulting in a reduction in the proportion of the profit retained by the company — has at least come at a good time.

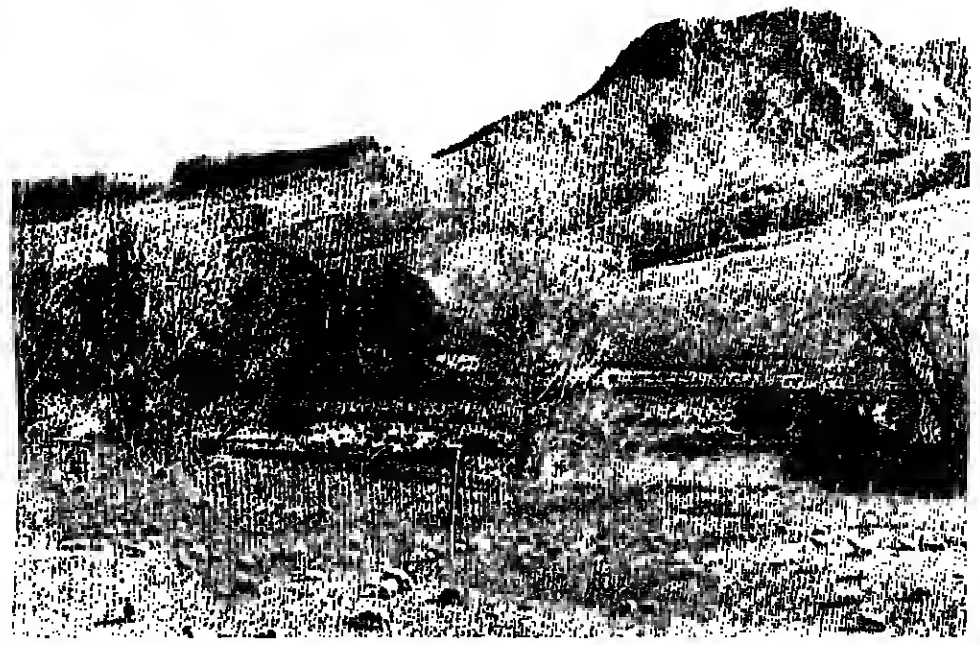
Brown says the year saw a significant investment by the company in winery production facilities, but "we believe that the major investments the company had to face to handle our projected grape intake are behind us and that the capital funding in this area will show a marked decline in future years."

Brown believes the "edgy eighties" will provide a testing time and will require the wine industry to apply "more constructive and disciplined planning than has been evident in the past."

As a result work has commenced on a "long-term strategy plan to dovetail with a five-year plan proposed and put into effect in 1978."

But surely shareholders would be interested in the details of the company's obviously well-organised future plans?

Land prices jump: farm ownership only for the rich as 1980s see capital gains aplenty for sellers



Them thar hills (and fields) . . . gold in themselves these days

by Allan Parker

CAPITAL gains farming — the "Queen Street farmer" factor — is increasingly making farmland ownership a tich man's pastime.

After a general slowing in prices for rural land throughout the latter half of the 1970s, the cost of all types of land increased sharply in 1980.

And that trend is continuing — farmland prices rose nearly 20 per cent in the first six months of this year, with unrefined statistics showing still further sharp rises since June.

The particular pressures of urban capital — through companies, consortia or high-income individuals — is proving a major contributor to these rising prices, notably in ownership of horticultural farming and the small block beloved of city-bred "rural retreaters".

But while these have boosted the average price of all farm sales, other farmland — dairy, fattening, arable and grazing — is also experiencing high increases.

Valuation Department statistics for 1980, published in a just-released research paper, show that total rural sale prices rose a hefty 23.2 per cent last year.

The total cost: $639,267,000!

Since 1976, according to a departmental index, farm prices have risen 75 per cent.

Horticultural farmland remains the highest-priced on the open freehold market by far, a combination of high returns, small holdings and urban investment.

Last year, it cost an average $148,630 to purchase a farm used for horticultural production. That was for an average size of 12.5 hectares, making the average sale price per hectare $11,930.

Prices differ widely, from $34,000 a hectare in the Bay of Plenty to $3500 a hectare in the Nelson-Buller district.

But, according to a DSIR assessment, "even when the Bay of Plenty is omitted from consideration, the average price paid for horticultural land is still well above the prices paid for other farmland." (See table one.)

Horticultural farmland, as might be expected, remains a favourite with businessmen, one of the buyer classifications used by the Valuation Department. (The others: farm enlargement; changed farm — farmer has sold a farm and bought another; new farmer — not a previous farm-owner and not a businessman but including persons in occupations; other — farm intended to be used for non-farming purposes.)

While businessmen were buyers in only 11.7 per cent of total farm sales, they made up a quarter of horticultural sales. (Vacant or improved forestry land was the most popular with business — 26 per cent of total sales were from this buying sector.)

While "businessmen" largely use city money for farmland buying, the "new farming" classification of farmland purchasers undoubtedly hides more urban capital.

It does not include businessmen but does include persons in occupations. And high-income salaried earners like lawyers, accountants, senior executive staff, and pilots have become increasingly attracted to the purchase of smaller but rich-returning farming activity like forestry and horticulture.

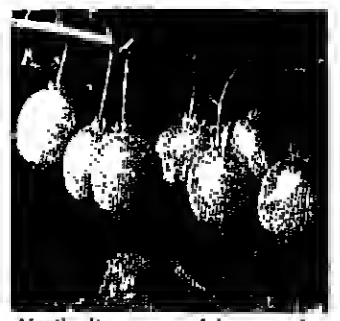
Statistics do not reveal what percentage of new farm buyers are in this category, but the category itself is a significant proportion of total farm sales: dairy, 37 per cent; fattening, 29 per cent; grazing, 24 per cent; arable, 29 per cent; horticulture, 30 per cent; specialist livestock, 48 per cent; forestry (vacant and improved), 24 per cent.

Small farms — the 10-hectare block or less — are also becoming high-priced luxuries, particularly for "improved" land.

Last year, the average sale price per hectare for "improved" small holdings was $12,039, based on the average sale price of $65,082 for 5.4 hectares. In contrast, "vacant" small holdings attracted an average sale price of $4810 per hectare.

According to one study, urban encroachment (37 per cent), forestry (22 per cent) and small subdivisions (20 per cent) were the main contributors to a total loss of grazing land equivalent to nine million stock units from traditional pastoral production between 1967 and 1977.

The DSIR, in its new research paper on horticultural potential, adds: "The subdivision of farms into small holdings, mainly near urban areas, has increased greatly in recent years."



Horticulture . . . rich crops in expansive soil

Unfortunately, the number of such small properties is unknown, according to the DSIR, although one Government department estimate suggested there may be as many as 36,000.

Equally, Valuation Department statistics do not classify sales by buyers. Undoubtedly, however, many of the buyers are rural retreaters who will retain their existing occupations in the cities. Their consequent impact on small block prices is, therefore, significant.

While horticultural and small holding farmland are the most expensive rural real estate on a hectare basis, investors will pay more for other farms.

For example, the average dairy farm last year cost $178,513, up 16.8 per cent on the previous year and representing $2659 a hectare.

Fattening farms cost, on average, $304,385 (up 32.9 per cent), or $1020 per hectare.

Grazing farms cost an average $311,465 (up 25 per cent), or $451 per hectare.

Arable farms cost an average $234,878 (up 12.4 per cent), or $2277 per hectare. (Table two shows the per hectare price of different farmland by district.)

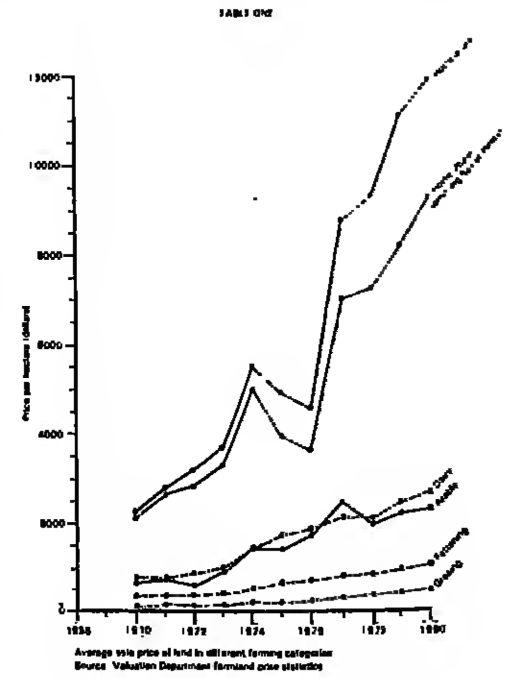
Meanwhile, valuer-general Murray Mander reports a 19.6 per cent increase in the first six months of 1981, confirming the upward spiral of farmland prices. That gives a June 1980-June 1981 rise of more than 30 per cent.

"While the number of sales reflect a steady level, the monetary value of these sales increased from $317.5 million to $443.5 million between the December 1980 and June 1981 half-year periods," says Mander.

"This represents an increase of 39.68 per cent," he says.

Analysis shows that buyers in the first six months of 1981 were: new farmers, 30.4 per cent; farm enlargement, 25.5 per cent; changing farmers, 24.5 per cent; businessmen, 14.4 per cent; others, 5.2 per cent.

TABLE ONE



Average sale price of land in different farming categories
Source: Valuation Department farmland price statistics

TABLE TWO — FARMLAND COSTS — AVERAGE PRICE PER HECTARE (1980)

Area	Dairy	Fattening	Grazing	Arable	Hort	Specialist Livestock	Forest Vacant	Forest Improved	Misc
Northland	1803	1364	496	-	6077	-	224	447	2821
Auckland	2765	1664	771	-	11,301	11,212	-	737	8183
Waikato	3506	1898	876	-	7336	11,162	833	-	4864
Piako/Coromandel	3363	1564	571	-	32,760	5738	-	-	1016
Bay of Plenty/Taupo	2417	1232	367	-	33,682	6448	431	1037	7321
King Country	3188	1170	-	-	-	4774	-	108	160
Gisborne	2713	1326	585	-	12,046	3862	-	400	233
Hawkes Bay	2776	1643	1072	-	17,087	16,447	-	2037	4600
Taranaki	2565	1236	316	-	17,078	15,988	1800	-	11,704
Wanganui	2822	1372	358	-	18,701	5166	66	-	8387
Manawatu	3303	2438	781	-	8606	8468	88	471	5526
Wairarapa	2080	1373	577	-	18,628	4777	178	-	6888
Nelson/Buller	766	696	483	2978	3619	2104	237	1080	17,867
Marlborough	1820	712	87	4442	8488	3600	180	-	668
Westland	906	746	118	-	-	2203	184	278	6500
North Canterbury	3486	865	155	2337	10,871	8482	1128	-	18
Central Canterbury	3186	1046	-	2646	13,348	8263	-	-	966
South Canterbury	4115	1366	507	2237	5633	4671	-	-	4810
Otago	3346	736	-	1466	5785	3480	28	347	23,521
Southland	3555	546	362	-	-	3358	-	-	28,120
New Zealand (Ave)	2659	1020	461	2277	11,930	6752	188	404	2813

Bureaucracy threatens meat-grading advance

BUREAUCRATIC obstruction and official indifference is endangering the development and sales of a New Zealand invention with big export potential.

The Hennessy and Chong Fat Depth Indicator (FDI), a world-acclaimed invention born of Kiwi agricultural ingenuity, is used to measure fat thickness and carcase composition in freezing works. It has the potential to become the standard instrument on which a standardised world system of grading is based.

But because our officialdom ignores its value at home, overseas buyers are wary.

Sales potential in the United States alone is from $100 million to $500 million.

The world market potential is impossible to calculate.

Up and running, the project would have a greater return on investment than any of the "think big" projects.

It is a classic example of a product with low material cost but high export value because of the advanced technology it represents.

But New Zealand meat companies show little interest in the FDI.

Despite hammering on the doors of departments such as the Ministry of Agriculture and Fisheries since 1978, FDI inventor Brian Hennessy has received only token recognition of the instrument's potential and little official help.

The net result of the Government's activities has been obstructive. The initial development assistance from the DFC and DSIR has been more than wiped out by the subsequent head-in-the-sand attitudes of the Ministry of Agriculture and Fisheries grading committee.

Overseas buyers ask, with justification: "If the FDI is so good why has the New Zealand Meat Industry not adopted it?"

The result is that all potential overseas buyers are insisting on extensive and lengthy official testing programmes before they are prepared to buy.

New Zealand has a high reputation in world circles of the meat industry. There is no doubt that if our industry had adopted the FDI grading system, or at least funded a major research effort into investigating its potential, the task of selling it overseas would have been greatly eased.

The delay is having two consequences:

- Overseas sales, so far mainly to the United States, are only a fraction of what they could have been with official New Zealand backing.

Developing the complex electronics incorporated in the FDI is a costly business which has been carried out from a limited capital base. The delays in reaching sales targets are stretching the financial resources of Hennessy's manufacturing firm beyond its limits.

- Pirates are moving in overseas.

The FDI's major rival for this lucrative market is the Danish SFK company. This company began developing a conductivity grading method at about the same time Brian Hennessy devised the optical/electronic system which is the basis of the FDI.

In a tacit acceptance of the superiority of the FDI, SFK recently abandoned its conductivity grader and began manufacturing its own version of an optical/electronic fat depth measuring instrument.

Hennessy has filed a law suit against SFK, but patent battles are notoriously long and costly. This battle is being fought in Sweden. The Swedes are poised to adopt a new meat-grading system and the choice is between the FDI and SFK systems.

Hennessy's second line of attack against the SFK piracy has been to refine the FDI and develop a computer system to link with it. This gives a fully automated grading system.

In trials in Sweden this system, as well as being far cheaper, has proved vastly superior to the Danish SFK system. But because what the Swedes eventually order is likely to set the trend for Scandanavia, at the very least, the Danes are exerting strong political pressure on the Swedish officials.

Hennessy can afford to send just one man to Sweden, the computer specialist who developed this side of the system.

For the past three years, he has had an open invitation — and virtually an open cheque offer — from a large American company to shift manufacture of the FDI to that country.

But he has been determined it should stay in this country because he is convinced it is the type of industry New Zealand needs and that New Zealanders can excel at.

Chalk it up to Kiwi-Italian ingenuity

by Claudia Perkins

LAUNCHED in the nick of time for the forthcoming elections — the brand new illuminated blackboard.

Not dirty or grubby (politicians can keep their fingers clean if not their noses), it is ideal for chalking up new policies. Wipes clean without leaving a trace.

Kids think they are magic and so do adults. Sounds like the answer to every electioneer's dream. Ideal for a car top display.

The new blackboards are the invention of two Italians, Gino Bianca and Franco Percollini, of Illuminated Blackboards Ltd. They have built a blackboard which comprises a black or white face covered by a sheet of glass and illuminated by two small fluorescent tubes.

The board is then plugged into the mains or smaller boards can run off a battery.

Instead of chalk, an art crayon is used to write on the board, eliminating dust and the corresponding mess, and provides for a wide range of colours which appear luminous when the board is turned on.

The crayon is easily visible, even when the board is placed in poorly lit areas and can be wiped clean with the aid of any window cleaner.

The new boards entered the market a few months ago. After selling 20 in the first month, sales slowed while the concept was developed during which time there was no listed selling price.

But with two new salesmen on the road last month, sales have taken off again, the partners said.

The boards retail for $100 to $300 each according to size.

So far the board has been promoted as a teaching aid, many schools have shown an interest in it as an alternative to the traditional blackboard.

It has also proved popular among restaurateurs of the trendy "blackboard" menu ilk; real estate agents constantly required to change advertisements as the property market booms, poor dears; and the BNZ with its blackboard interest rates.

The board appears to be particularly useful for seminars or audio-visual displays, when the board can be used as a projection screen with additional points written up to complement the slides as necessary.

The boards go anywhere, inside or out. There is even a fitting for the roof of one's car which plugs into the cigarette lighter, via which one might abuse passing motorists or more prosaically warn of "wide loads" or impending political candidates.

Constant refinements are being made to reduce the cost and increase the board's versatility. At present Illuminated Blackboards is working on a system similar to silk-screen printing for easy application of logos and even for photos (of the mug-shot variety) to be transferred on to the board as a visual gimmick.

It is hoped that a smaller plastic, battery-operated version will be developed by Christmas as a home teaching aid for children. Does that bring us back to the politicians?

Advertising strategy — how to make it work

by Grev Wiggs

"TODAY, we credit the tomb of Giuliano de Medici solely to the genius of Michaelangelo. But before he started work, he discussed the project at great length with Pope Clement VII, who commissioned the project.

"There were some 50 letters exchanged, covering such important practical matters as the size, the subject, the characters and the general design.

"You might call it the Medici Tomb strategy — and Pope Clement, the client, played a major role in it."

Renny Cunnack, chairman of Ogilvy & Mather (Australia), was talking to the annual SMEI convention held recently in Wellington.

His address concerned advertising strategy — what goes into it and how to make it better. And there was an underlying plea for clients to understand its purpose and to become involved in its formation.

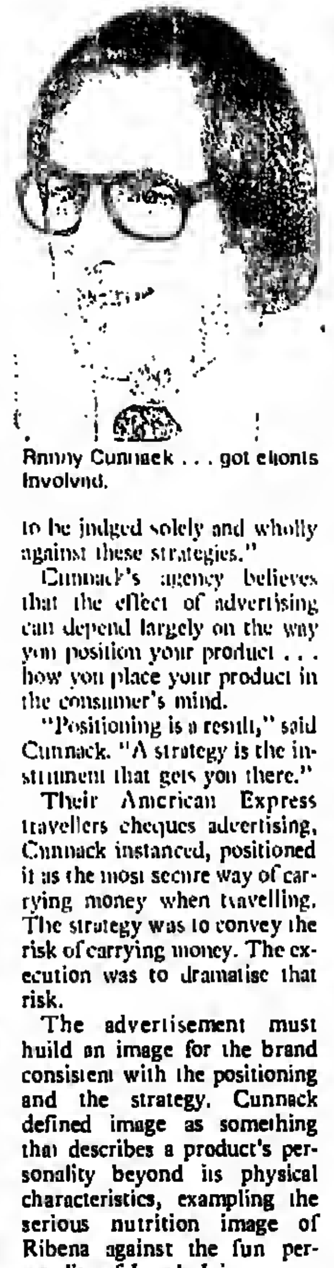
A study of the market, the product, the competition, the consumer as a prelude to understanding the market in depth, must be undertaken before developing a strategy for each element of the marketing mix.

You will need an overall marketing strategy, probably a pricing strategy, a distribution strategy, a packaging strategy, a promotion strategy, a product development strategy and a PR strategy, he said.

The advertising strategy guides and imposes discipline on that most difficult of processes, the creative process.

Cunnack quoted a colleague, the New York O & M creative head, Norman Berry, "There is nothing, in my view, so stupid, or so wasteful of time, talent and money, as to produce a whole lot of work saying one thing brilliantly, when in fact one should have been saying something else in the first place."

Said Cunnack: "I want for us the freedom of tightly defined strategies. I then want our work



Renny Cunnack . . . got clients involved.

to be judged solely and wholly against these strategies."

Cunnack's agency believes that the effect of advertising can depend largely on the way you position your product . . . how you place your product in the consumer's mind.

"Positioning is a result," said Cunnack. "A strategy is the instrument that gets you there."

Their American Express travellers cheques advertising, Cunnack instanced, positioned it as the most secure way of carrying money when travelling. The strategy was to convey the risk of carrying money. The execution was to dramatise that risk.

The advertisement must build an image for the brand consistent with the positioning and the strategy. Cunnack defined image as something that describes a product's personality beyond its physical characteristics, exampling the serious nutrition image of Ribena against the fun personality of Jungle Juice.

"The first thing to remember about advertising," said Cunnack, is that it must be effective with the consumer. The first thing to remember about copy strategy is that it must be effective with the copywriter. Not your boss, for whom, I'm afraid, most strategies are written."

All copy strategies must cover these central subjects: the objective of the advertising programme; a three-dimensional portrait of the target audience; the proposition to the consumer; some support for why your product delivers that proposition; and a statement of the tone and manner of the message.

Start with a clear and realistic objective, said Cunnack, realising that while the business objective is to sell more, the advertising objective may be to create awareness, help change attitudes or impart knowledge.

Consumer benefits don't necessarily come out of products. Product attributes may not be seen as interesting by the consumer.

The consumer will tell you the real benefit in your product. But you must know the demographics, the psychographics, her personality, her problems before you can select the consumer benefit which has been described as "a clear and concise statement of the one proposition that has been selected to form the basis of the advertising."

In short, the one proposition.

Support the proposition with convincing argument. It may be based on ingredients, taste tests, consumer testimonials or leadership position.

All this should be wrapped together in a consistent tone and manner if you are to build a brand personality — an image for your brand.

What goes into a copy strategy are objectives, target audience, proposition, support and brand image. What comes out is positioning for a brand.

General Foods has a policy of reviewing new advertising against their policy that "anything which is not relevant to the promise of the strategy must be justified. The basic promise should provide the interest and the real creative task is to present the selected consumer benefit in an interesting and dramatic way.

Cunnack concluded by giving his audience some useful tips.

"Make your objectives reasonable," he urged. "The essence of positioning is sacrifice. Sacrifice something so that the advertising can focus on one thing."

Make the strategy easy to use. Remember your audience is the copywriter not the boss.

Be more single-minded. All we expect people to take away from a 30-second commercial is one simple idea.

Understand the market in depth. You cannot design the best advertising solution until you understand the marketing problem to be solved. Where is the business going to come from? Are you after trial or long-term use?

Get to know the target audience better. Great advertising has this in common above all else — it reflects real understanding of the person it's talking to and touches a chord in them and awakens a response. Great creative people have this insight — the strategy helps them to bring it to bear.

Make a meaningful proposition to the consumer and make it believable. Be distinctive.

The best strategies are explicitly competitive so be competitive, Cunnack advises.

Don't think only in words when pictures and music can often do more for the emotional impact of your message.

Tell people when to use your product but remember that habits are not easily changed.

Resist changing your strategy. The great successes of the advertising business are ones of continuity. Not necessarily of campaigns, but of positioning, strategy and brand image.

Renny Cunnack again emphasised the role of the advertiser.

"An effective creative manager — of both the strategy and the advertising — can make a critically important contribution to the creative process by developing a great strategy," he said.

The adze column

"SEX without contraception is like dancing on thin ice. Contact your family doctor or the family planning clinic."

That was the suggested advertisement by the Family Planning Association intended for use in Wellington buses.

It was turned down by the Wellington City Council's transport committee.

Councillors thought something like, "Don't take risks" or "Avoid unwanted pregnancies" would get the message across better.

Now you know why advertising agencies don't hire committees to write advertisements.

* * *

THE Holden Rodeo TV commercial is a good example of how to establish a strong product personality with one commercial. Plenty of lively action, imaginative analogy plus tight production position the product as a rugged, hard-working, high performance vehicle.

The classic 'who watches the watchers?' scenario

by Dave Witherow

ENVIRONMENTAL impaot reporting is basically a great idea. In these tense times it is a refreshingly democratic notion that the mutilations inflicted upon the natural world by unremitting progress should be objectively assessed.

Informed by such assessments, an intelligeot citizenry might, in theory, decide for itself whether the game were worth the candle (or, perhaps, whether the logs were worth the forest).

There are one or two glitches in the system, however, and, just for the record, I'll set them straight. No major alterations to the actual procedures are required, as it happens — they are fundamentally in first-class working order, and such minor changes as are now necessary are really rather obvious and easy (although none the less vital for all that).

First up, the wrong people are writing the reports. These are *environmental* reports, and the appropriate people to write them are environmentalists.

But at present, absurdly, they are compiled by the developers.

There are reasons, I will concede, for the persistence of this odd state of affairs. The proposer of any project should, as I'm sure all are agreed, be prepared to pay the price of demonstrating whatever damage is likely to ensue should his plans come to fruition.

The developer must certainly pay for the impact report — equity demands no less — but it is a foolish confusion that also insists he shall write the thing himself.

No, the developer's responsibilities are limited to fronting up the money, and neither he nor his agents ought to have the embarrassing task of assailing their own proposals. Eovlronmentalists can be engaged to do this quite happily for them.

This argument is too self-evident to require elaboration in any forum of the fair-minded. After all, we do not arrange for master-brewers to conduct research into cirrhosis of the liver, or set up panels of burglars to oversee the security of banks. So, while there may be some muttering among the multinationals, I should not anticipate any popular resistance to this overdue reform.

One difficulty remains. No one at present makes anything out of being an environmentalist — quite the reverse in fact, when one considers the unending pageant of lost causes one is obligated to support. But at least this situation guarantees the sincerity (if not the sanity) of everyone involved.

The advent of money will alter this. Once it becomes known that financial backing is available to certified impact reporters there is bound to be an influx of exactly the sort of crass loot-fixated operator we could do well without.

This problem, too, can be surmounted. Vetting the *bona fides* of "environmentalists" is of critical importance. It cannot be left to the Establishment, or in no time at all a corps of well-paid ecological Uncle Toms would soon be excreting more of the same brand of soporific we are treated to already.

But this can easily be avoided. All that is needed is to appoint half-a-dozen nationally-notorious conservation figures to a permanent selection panel and give them the simple task of detecting bogus greenies from the ranks of impact reporting hopefuls.

When these changes are introduced and functioning there will be a truly drastic improvement in the quality and bias of the doucments produced. Impact reports have hitherto never been particularly readable, and recent examples have been almost worthless to the average citizen who merely wants to find out what features of the local landscape are liable to vanish if a given scheme eventuates. (Providing this information was the original motive for having reports at all.)

Typically, one now finds several hundred pages of technical effluvia and Latinised biology dealing in great detail with anything that may emerge from the mangling substantially unscathed. (Working on principles such as these, a clever operator could make out a good case for gazetting an H-bomb range on Stewart Island.)

Real impact reports will stress the impact. The bad news will be presented as effectively as possible, and in straightforward non-technical language.

Some reports will be nothing short of gruesome, but these will be a minority, and most will describe environmental losses that may quite possibly be acceptable to the general public in exchange for the perceived benefits in question.

The object of the exercise, in other words, will not be to see that no projects are completed, but to ensure that the occasional really evil deal is recognised as such (and if you don't believe such things exist, then why should we continue with the impact reporting farce at all?).

At the present time environmentalists are hopelessly disadvantaged. Developers have money, the ear of Government, and a legal system that is being consistently altered in their favour.

They have the resources to engage in extravagant propaganda campaigns (tax-deductible) to push their point of view.

The appearance of real environmental impact reports would not reverse these odds, but it might serve to remind the passive public of what they are about to lose in accepting the gaudy scenarios that are currently on offer.

Dave Witherow is a Dunedin zoologist and occasional fishing and environmental writer.

ELECTION WATCH '81

UN conference fails to find valid aid plan

by Christopher Laidlaw

THE United Nations Conference on the least developed countries was like all the other great UN jamborees which had preceded it in recent years.

When is was over delegates all sighed with relief, having spent the previous few days and nights finding language which would paper over all the cracks, conjure agreement from obvious disagreement and give some semblance of credibility to an exercise which cost millions to mount but which yielded little in real money for the cause it espoused: the poorest countries.

The conference was to have endorsed a substantial new "plan of action" to assist the least developed countries. After the rhetoric had subsided however, the plan of action began to look neither new nor substantial.

The conference was not so much about the needs of the 31 least developed countries — those with per capita incomes of less than $200 — but more an inquest into the aid policies of the rich OECD countries.

For a long time aid to the world's poorest countries has been the most obviously inadequate element in the overall flow of aid to the developing world as a whole.

The objective of UNCTAD, the UN agency which convened the conference in Paris, under French chairmanship, was to bring a sharper focus on the particular plight of the 31 — some of which, like Samoa and Tonga, are very much in New Zealand's backyard.

Many of these countries have an exceptionally low absorptive capacity, whether for official development capital or for the many other material or service forms that aid can take.

They have, as a consequence, been frequently overlooked in aid terms by the larger donor countries.

The lack of return in terms of contracts and purchasing agreements tied to donor countries makes them even less attractive, particularly for countries like Japan whose aid programme is almost entirely focused on countries which provide a ready return on aid dollars invested.

UNCTAD's objective was to secure a firm commitment from the western donors to quadruple their aid to the least developed countries and to guarantee a minimum proportion of their total aid flows for least developed countries.

The conference provided no such guarantees. It ended with no firm pledges other thao by France, the host, whose commitment to development order Francois Mitterrand stands out like a very sore toe among the shuffling fact of the industrialised countries.

All it yielded was a rather lukewarm and certaloly non-binding undertaking to try aod hold the contribution to the least developed at or above 0.15 per cent of GNP.

That in itself was not much of a pledge when one considers that the rich countries have for many years failed to corporately meet their own accepted target of 0.7 per cent of GNP for all official aid flows (ODA).

The least developed members present, having read the signs before, were far from sanguine about the prospects of any improvement in their situation.

But, beneath the disappointment that such vain efforts to match needs with commitments so regularly generate, there were at least some rays of sunshine.

The least developed countries are now on the political map insofar as their special needs have been officially recognised in a manner which sets them apart from other categories of developing country.

And however innocuous that may sound, it is of considerable importance to an international community now overwhelmingly committed to pigeon-holing as its basic form of procedure.

But more importantly — and this may turn out to be the main achievement of the Paris conference — it has been decided to work toward the establishment of aid consortia for more of the 31 countries.

Only Nepal, Sudan and Bangladesh presently have such consortia, which meet regularly to assess progress and to co-ordinate assistance programmes.

They have turned out to be useful and profitable devices; Bangladesh was recently promised $1.8 billion through its consortia of donors.

They also provide a valuable platform for continuous dialogue between aid donors and recipients, a vital ingredient to the sustaining of commitments.

But in the final analysis, aid to the least developed countries depends overwhelmingly on the attitude of western governments.

The current climate is not good. Polite rebuffs, based on the need to restrain public spending at home, are the order of the day.

The argument in favour of increased investment in developing economies as a source of future purchasing power for the developed countries — while admitted in private — is scorned in public.

And most tragic of all the poorest and helpless countries, those which the Paris conference was all about, are being told to let "market forces" solve their problems.

This is a trend which can only promise trouble on a major scale.

And that trouble will begin and spread from the least developed countries as the economic circumstances of so many of them deteriorate beyond tolerable limits.

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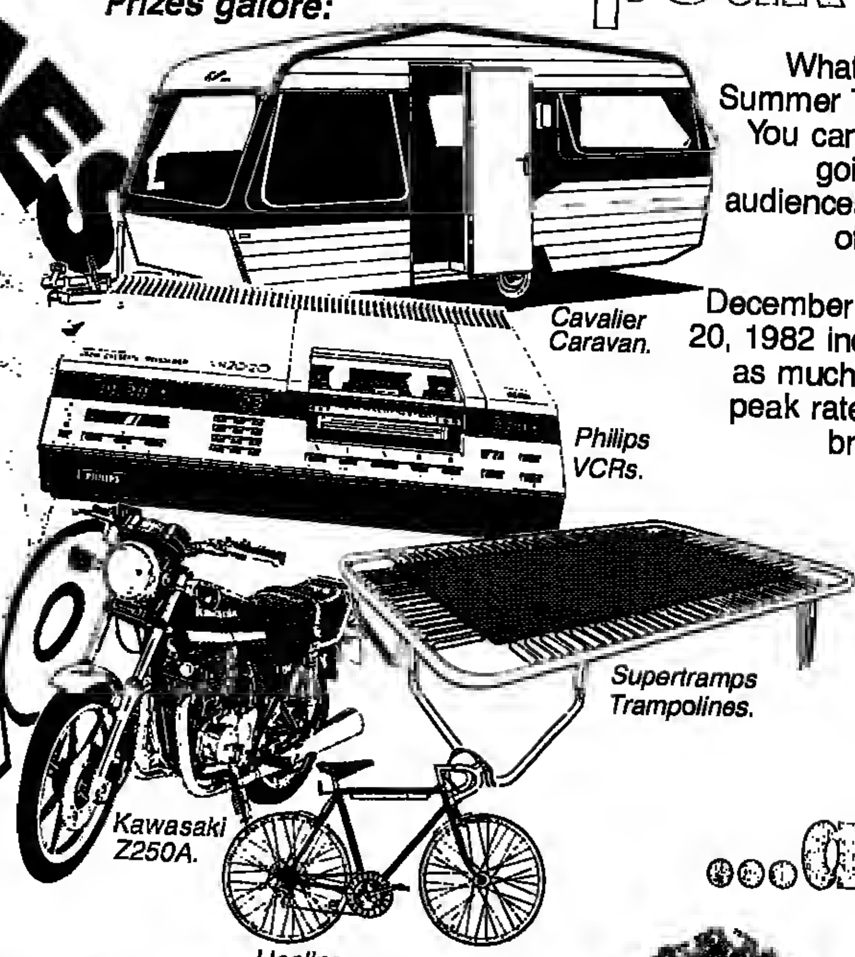

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Science and technology

NZ scientist in US invents high-performance battery

by Warren Berryman

THE rechargeable electric automobile came closer to commercial reality with the invention of a revolutionary new plastic battery by an expatriate New Zealand acientiat.

Maaterton-born, and Victoria University-educated chemistry professor, Alan MacDiarmid, heads a team at Pennsylvania University which invented the battery and sold the rights to North America's largest battery manufacturer, the Allied Corparation.

Made from a conductive polymer resembling plastic sandwich wrap, the battery has 10 timea the power, one-tenth the weight, and one third the volume of conventional lead acid batteries.

The re chargenble battery haa three times the holding power

Alan MacDiarmid . . . breakthrough

af conventional batteries and ia claimed to be virtually maintenance-free.

The batteries can be made small enough to power a wrist watch or large enough to power a light industrial plant.

Allied and the inventors claim this technology can make electric cars a commercial reality. The 100,000 or so electric cars in existence are hampered by the size and weight of their batteries and their short operating range.

Allied says an electric car powered by the polymer battery should have a range of 180 miles, much better than the 60 miles for a conventional battery-powered car.

The batteries are not only lighter, smaller, and more powerful, but, can be moulded into various shapes. The quiet, polution-free electric car of the future might have its battery moulded as a bonnet or side panel. On the other hand, the conventional automobile might have ita starter battery made in the same way.

While Allied maintains that any projection of the battery's cost would be apeculative, it paints out that the raw materiala are inexpensive and the manufacturing approach appears simple at this atage.

Already hailed by Americao newspapers and the technical press, the polymer battery might need five to ten years development work before it hits the market.

Allied has earmarked $US5 million to commercialise the battery over the next two to five years.

The battery was invented by three Pennsylvania University researchers — MacDiarmid, researcher Alao Neeger, and post-graduate studeot Paul Nigrey.

MacDiarmid and Neeger secured patent rights for the battery and sold commercial development rights to C & D Batteries, a dlvision of the Allied Corporation, under the university's patent policy.

If and when the battery proves a commercial success the university will receive, under contract, a percentage of the royalties. A portion will go to the patent-holders.

Allied holds the righs to the battery in the United States, Canada, and Japan. Europenn rights were acquired by BASF, the West German chemical and electronics giant.

Allied had been working on phenylene-based polymera that could be treated to make them electrically conductive (like semi-conductora or metala) since the late 1970s. But the company found that the Pennsylvania team's invention had some advantages over its own work.

Allied decided to mate the two technologies for optimum results.

MacDiarmid, a naturalised American since 1966, began his academic career at Wellington's Victoria University, where he received his MSc in chemistry. A Fulbright scholarship took him to the University of Wisconsin and a PhD. Under a Shell (NZ) scholarship he did post-graduate work in Cambridge.

Author and co-author of hundreds of published papers on inorganic chemistry and holder of dozens of national and local academic offices in the United States, MacDiarmid is described by one of his New Zealand relations as a "20 hour a day human dynamo."

"When Alan comes to New Zealand we try to get him out on a boat to relax, but this is almost impossible," he said.

MacDiarmid's brother-in-law, Auckland customs man, Jack Palmer, is obviously proud and happy with MacDiarmid'a success, but voiced one regret; "isn't it a shame it wasn't possible for him to do this in New Zealand for New Zealand?"

MacDiarmid'a team discovered that polyacetylene, normally a semi-conductor, can be rendered electrically conductive by oxidative treatment. An electrochemical cell can be created by immersing two pieces of polyacetylene film in a suitable electrolyte.

In effect, the "plastic metal" films release or capture electrona in a similar manoer to electrodes in conventional storage batteries.

When two ideotical aheets of polymer are Immersed in a lithium perchlorate electrolyte and a charging current passed between them lithium iona change the negative electrode and perchlorate ions change the positive electrode io a manner analogous to treating a semiconductor.

Because polymers consiat of networks of interwoven fibrila and not an impenetrable aurface auch aa those of metallc electrodes the surface area opeo to the electrolyte is 2500 times greater than the actual surface area of the electrode — thus the power of the battery is greater.

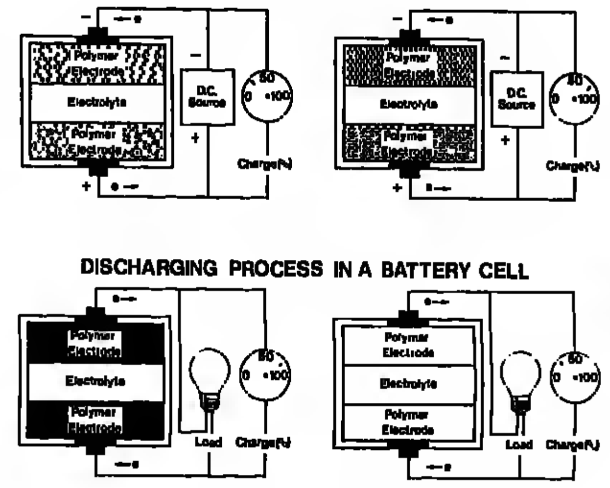
Preliminary teatlng by Allied and MacDiarmid indicates that the polymer batteries can be charged aod dlscharged without the breakdown or oxidation found In cooventional batteries.

So far testing has been on a small laboratory scale. But Allied's research is aimed at producing a commercial polymer battery for use in watches, cars, toys, communications, power company load-levelling, and other usea.

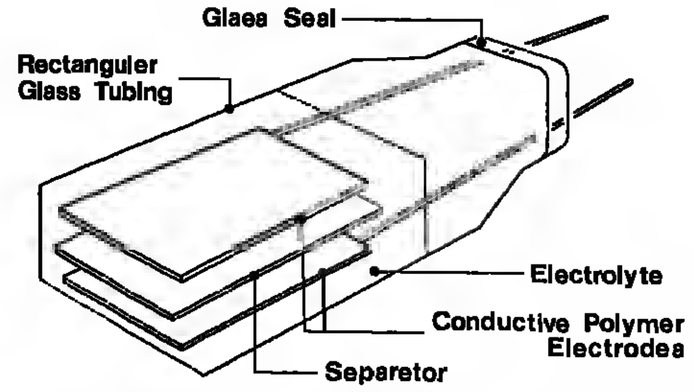
Electric cars have long awaited a battery that is both powerful and light weight. The United States Department of Energy has been spending an estimated $US40 million a year to develop such a battery.

CHARGING PROCESS IN A BATTERY CELL

DISCHARGING PROCESS IN A BATTERY CELL



SEALED POLYMER BATTERY



Lab Model of Polymer Battery Demonatrated by C&D Batterles

Drunken revellers, thank those rebel truckers

by Bob Stott

DRIVERS weaving their way home from the office Christmas party this year should offer up prayers of thanks to those rebel road carriers who this month successfully scuppered the Transport Amendment Bill.

The bill (whose provisions dealing with road transport's competition with rail were discussed in this column two weeks ago) aimed, among other things, to plug loopholes in the drink-drive law.

Because this is a transport column, our attention last time was focused on those carriers who were protesting to the select committee that if the maximum fines for breaches of the 150km limit were increased from $2000 maximum to $10,000, they couldn't stay in business.

The article wondered how an industry group could bluntly tell a select committee that their livelihood would be threatened if the penalties for lawbreaking were increased. It never seriously considered that such an approach would win real sympathy.

But the select committee has decided that it needed more time to study the bill. And because the bill included the drinking and driving clauses, the Christmas drunken driver has a clear run, since postponement means putting off reform till the new session next year.

On the drink-drive issue alone, the news media might have been expected to let loose a broadside at the system which had allowed that postponement, especially when the road toll this year is climbing well above last year's level.

The Opposition, too, might have been expected to fire off a round or two.

But no . . . a few middling stories in the papers, and the issue has died away.

And so this Christmas, drunken drivers who can afford lawyers will still be able to base their defence on the grounds that some trifling technicality was not followed in the taking of breath tests or blood samples or whatever.

The bill proposed cleaning up this area by making the only defences that a material error had been made in a blood analysis, that the blood sample in question was not from the defendant or that a miscarriage of justice would result from a conviction.

Tough though these measures are, it was not the drink-drive aspect of the bill which attracted submissions to the select committee, but the regulations governing road transport.

The changes proposed in the bill, as well as increasing the maximum fines, aimed also at stopping warehousing as a means of beating the 150km limit, and gave traffic officers permission to mark goods to aid their tracing along the way. It eased the 150km limit with regard to the main centres and exempted from the distance limit several more commodities.

And it was the question of distance limit policing and the new levels of fines which tripped up the bill.

With the benefit of hindsight, it is easy to say that the two quite different aspects of the bill — drinking and driving and the road transport matters — should have been dealt with separately so that if there was a hitch on the trucking questions, the drink-driving aspect could have proceeded unhindered.

One can also wonder why the bill took so long to draft. The Government's approach to the matter has been quite clear for some time.

In his 1980 Budget Address, Prime Minister Rob Muldoon noted that the 1978 Budget had indicated future steps aimed at promoting efficient use of transport.

He said it was clear that a further significant removal of impediments to competition in the transport of land goods would result in a shift of substantial volumes from rail to road and that the costs of structural adjustments would bear more heavily on the railway system than the road transport industry.

Further studies would be needed, he said.

This somewhat cautious approach came at a time when strong forces had been marshalled to push for something close to a deregulation of road transport. Government backbenchers were pressing for a free-enterprise and more-market philosophy and there was a measure of agreement among Ministry of Transport theoreticians.

On December 22 last year Transport Minister Colin McLachlan announced that the 150km limit would not be extended, and that any relaxation would be along the lines of more exempt commodities and a possible creation of urban zones around the four main centres.

McLachlan noted the pending electrification of the North Island main trunk railway and said that fuel use alone dictated that the longer-haul freight should be carried by rail.

At that stage, the thrust of the Transport Amendment Bill became clear; at the same time, it was clear that Government saw rail as part of its fuel policy.

It was obvious, too, that the State would take whatever steps it deemed necessary to protect the investment in the main trunk electrification by ensuring that the line retained enough traffic to make this investment worthwhile.

Clear though the Government's intentions might be, it took till the end of July to get the bill under way, and the select committee took until mid-October to decide to postpone it. By then, postponement obviously meant a delay till the next parliamentary session.

All this means that there will be at least an 18-month delay between the Government's reaffirmation of the 150km limit and the passing of legislation aimed at making road carriers stick to that limit.

And it will be the best part of a year's delay from start to finish on the drinking and driving law revision.

Breaches of the 150km limit are costing Railways between $10 million and $15 million a year, which is money out of the taxpayers' pockets and into the pockets of the minority of truckies who flaunt the law.

It means a continuing financial loss for carriers who cart to and from rail — town carriers can look forward to a bleak Christmas in some areas. So, too, can law-abiding carriers who will not be happy to see continued poaching by the pirates.

More worrying, however, is the potential number of accidents involving drink this Christmas.

Japan's national railway runs out of steam

by Charles Smith
of the Financial Times

JAPAN'S Finance Minister Michio Watanabe has publicly suggested that the super-express railway line linking Tokyo with Osaka should be turned into an all-night cabaret for Government officials.

It was the Minister's characteristically flippant way of making a serious point — that the losses of the national railway system had passed the level of tolerability.

Japanese trains run on time and are reasonably clean, although often unreasonably crowded. But the state-owned railway system loses more than $5200 million a year and covers a mere 68 per cent of its costs with revenue, compared with 78 per cent for British Rail.

What has gone wrong with the system and how to put it right are two questions which have assumed a burning importance given the huge size of Japan's overall national budget deficit and the resulting urgent need to cut government expenditure.

The basic problem which the Japanese National Railway (JNR) faces according to Fumio Takagi, the small and soft-spoken former Finance Ministry official who has been president for the past five years, is that Japan's 90-year old railway system has simply ceased to match its transport needs.

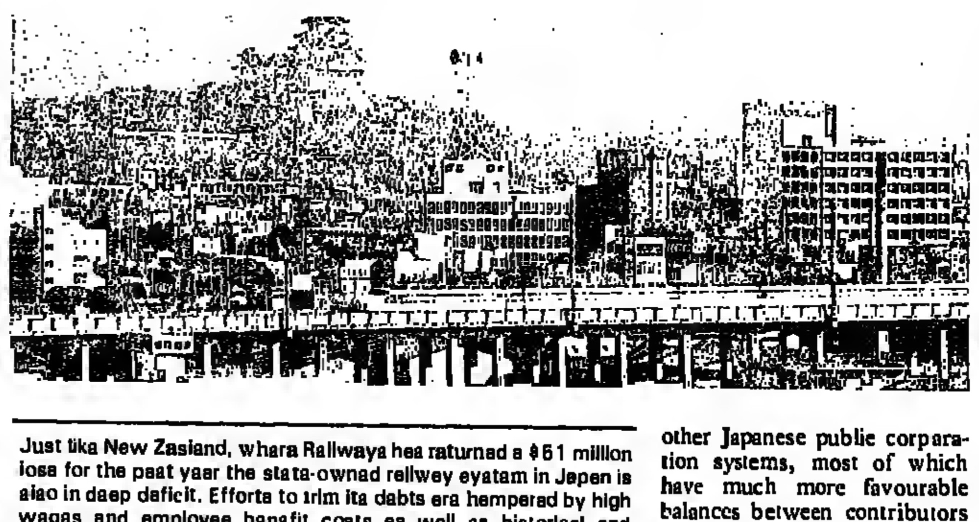
Japan began building railways in the late 1800s before and not after it acquired a modern road network. As a result, the belated construction of paved roads in the 35 years since the end of World War II hit the railways particularly hard.

Whether or not Takagi is right to blame geographical or historical causes the fact is that JNR's passenger and freight business have been in perpetual decline for the past five years while the total volume of traffic carried by all Japanese transport systems has grown steadily.

The fall in demand for JNR's services has made it hard to cover costs by fare increases. Cost-cutting through productivity deals with the railway unions has failed to work, partly because railway workers seem to be more militant than other Japanese workers and partly because of JNR's peculiar legal and political status.

Takagi says he would like to follow the examples of Japan's profitable private commuter railway companies by negotiating annual productivity packages with his unions. He has consistently been prevented from doing so, he says, by the fact that the JNR management does not actually set the level of the railway workers' wages.

These are set instead by a state arbitration tribunal which is invariably called in after the unions and management have failed to agree. The tribunal normally awards the unions a straight pay increase, without productivity conditions, that matches the average increase set, with productivity deals, in the private sector.



Just like New Zealand, where Railways has returned a $61 million loss for the past year the state-owned railway system in Japan is also in deep deficit. Efforts to trim its debts are hampered by high wages and employee benefit costs as well as historical and geographical problems — on a grand scale beyond New Zealand imagination.

This is one reason, say JNR officials, why wage costs, as a proportion of revenue, are 50 per cent higher in JNR than in the private lines.

Japan has 20 private railway companies, most of which operate relatively profitable commuter services in and around the three major cities of Tokyo, Osaka and Nagoya. Networks tend to be short — the longest is just under 600km compared with JNR's 21,000km network — and traffic is dense, at least compared with JNR's loss-making local lines.

Nearly all the private lines have diversified into related businesses such as property development and department stores. JNR has diversified to a much lesser degree partly because it is forbidden by law from managing (though it may own shares in) enterprises unrelated to surface transport.

JNR first began incurring losses in 1964, the year in which the Tokyo-Osaka super-express line was inaugurated. Losses have mounted steadily.

JNR knows that it will never be able to repay all its debts. Even the prospect of earning enough to cover operating costs may be out of reach.

The management, nevertheless, felt obliged in late 1980 to launch one more reconstruction programme in the knowledge that things could get even worse than they are today if nothing were done.

The new programme aims to introduce automation which would reduce the railway labour force from 420,000 workers to 350,000 over a five-year period. It also involves withdrawing from loss-making lines of business, including the operation of 3100 kilometres of local lines and much of the current non-bulk freight traffic carried by the national railway system.

The plan is intended to eliminate losses on JNR's trunk routes, at the same time trimming losses on local lines from about $1800 million to $1100 million a year. JNR's overall deficit, however, will fall by a mere $52 million because of a huge and apparently unavoidable increase in the cost of the railway pension fund.

The reason why the bill for pensions will rise is that more than 25 per cent of JNR's workers are more than 50 years old at present and will accordingly have become pensioners by the mid-1980s. It is estimated that by 1985 there will be 116 pensioners for every 100 workers actually contributing to the pension fund.

The JNR management's long-term objective is to persuade the Government to absorb the losses on its pension fund by merging the railway pension system with those of other Japanese public corporation systems, most of which have much more favourable balances between contributors and recipients.

Its short-term problem is to gain public and trade union acceptance of its latest reconstruction programme. The local lines closure programme, which forms the centre piece of the reconstruction plan, has drawn intense opposition from local governments throughout Japan.

The plan for reducing the overall labour force has been condemned as "anti-social" by the powerful railway workers union. The union also points out that — while proposing to close down local loss-making lines — JNR is planning next year to open two new super-express lines which will also make losses.

The railway union advocates introduction of a "national transport policy" which would protect JNR by restricting the use of competing transport systems.

An alternative suggested by right-wing politicians and others would be to "privatise" JNR and force it to compete on equal terms with the existing private railway lines.

President Takagi admits that both these ideas have theoretical merit but that, as far as "privatisation" is concerned JNR is simply too deeply in the red to be eligible for take over by any independent entrepreneur. The alternative that remains is to struggle on — which is what Takagi expects to do.

Computer users

ICL tells it as it is — and will be for 10 years

GIVING the full picture of its new network orientation to its recent user conference at Rotorua, British computer company ICL spelt out its basic plans for a decade ahead.

In contrast to the secrecy on future development which has marked most of the computer industry, new managing director Robert Wilmot has announced his intention of setting up a more communicative relationship between the company and its users.

The message was passed on to the New Zealand user conference by local managing director Tony Neville and Terry Ward, large systems product manager from Britain.

Neville saw the new openness as a logical response to the way users typically take the computer supplier into their confidence. "We really cannot begin to operate or advise you . . . unless we have a good understanding of your business — and this involves obtaining quite sensitive information about things that you would not want a competitor to know . . .

"If we are yoked up in this manner, the sensible thing would be to extend the relationship to its logical conclusion . . . to take you into our confidence and tell you frankly how ICL New Zealand is doing, where we are going and some of the problems we are facing."

The broad details of ICL's distributed processing system, DRS, have already emerged (*NBR*, October 19). Ward filled in the other half of the picture by summarising plans for the extension of the existing 2900 line, and relating these to DRS on the one hand and to the decision to sell an IBM-compatible Fujitsu machine on the other.

What emerges is a grand strategy embracing networks of microcomputers, minicomputers and mainframes, which will rationalise and extend the existing range of hardware and software, allow it to "surround the enemy" with its own equipment and eventually take the logical step of usurping the IBM mainframe component of the system.

There is also a new spirit of co-operation with software and systems houses, bureaux and "original equipment manufacturers", who will be encouraged to put the various parts of the ICL range together with their own software and hardware components and resell them, not necessarily bearing the ICL name.

This is a segment of the business which has to date belonged to companies like Digital Equipment and Data General, who came up from the "minicomputer" end, rather than the large machine manufacturers who have grown downwards.

There has already been an enthusiastic response from European software firms and New Zealand, with its large population of OEM companies, looks like being another fertile market.

Indeed, for some of them, labouring under an assault from the micro merchants, a stake in a unified micro-mini-mainframe range could be a welcome chance.

The ICL mainframe future emerges as two clear lines of machines. One range takes off from the ME29 into two planned "distributed mainframes", the DM/1, due around 1983, and the DM/2, scheduled for 1988.

Physically small 2900-type machines for the office environment, they will be built in Britain using Fujitsu components. With the ability to link them in twos and fours, they will process up to 2.2 million and 8 million instructions per second respectively.

Along the other stream will be machines based on linked configurations of the current 2966, at least for the near future. Two 2966s coupled together will form a 2988, and a pair of 2988s will in turn be able to be linked together.

Further along the track are two more machines based on Japanese components, and known as Estriel 1 — due in 1984 — and Estriel 2 — in 1988. Despite its French flavour, the name was merely the Japanese pronunciation of the code number S3L, Ward explained.

The second Estriel, in one, two and four-machine link-ups, will cover the range at present handled by the powerful IBM-compatible Fujitsu machine, but by then the need for power will have moved on, and ICL will still be in the IBM-compatible market with something even more powerful.

The IBM machine still looks a bit of a loner, out there at the top of the present-day range, but the communication facilities, notably the intention to support IBM's Systems Network Architecture discipline, bring it firmly into ICL's networking picture.

Collaboration with overseas companies will be a continuing part of the plan, allowing ICL to concentrate less of its energies on hardware design and more on producing efficient software.

The plan was received well by conference delegates and has certainly met with a positive response from the sharemarket back home. It will be interesting to see the practical attitude of users, particularly current IBM users, to the new ICL direction.

Users unhappy about servicing

IN view of ICL's new exclusive interest in on-line work, demanding a constantly available machine, it was ironic that one of the loudest user complaints heard at the ICL user conference was of planned machine down-time.

ICL engineering services have a nasty habit of cutting off the machines during prime processing time to do preventive maintenance work, users complained at the conference's opening discussion sessions.

On a batch system, of course, this doesn't matter; the work can always be made up later. But for on-line users, it means interruption in work which needs to be processed at that moment. In the totally-networked ICL installation of the future, maintenance work in the middle of the day could bring the work of the whole company to a halt.

If maintenance had to be done after hours, that meant a large penalty payment; and little of that ended up in the engineer's pocket as compensation for his unsocial hours, one user commented.

Feeling was obviously strong in favour of negotiating some variance from the standard ICL maintenance contract, and the ICL representative promised an official reply from the company. The promise was reiterated by managing director Tony Neville at the end-of-conference plenary session.

There is, at present, no one to direct that reply to on a formal basis, and no one to agitate formally for new conditions in the contracts. Although ICL holds user conferences, there is no formal ICL user group.

The lack of such a group was keenly felt, particularly in the wake of the keynote address by Stuart Goold, of the International Federation of ICL Computer Users' Associations. Goold indicated how a strong user organisation could do much to help ICL's progress, as well as to pressure it when needed, to the mutual benefit of vendor and user.

Australian ICL users already have a strong link with the international federation, and it seems likely that such a link will be an encouragement towards the setting up of a user group here.

Hitherto, delegates to the conference said, the country's user community had been too fragmented among the users of several different lines of hardware and software for there to be much value to be seen in an organisation.

But with a more unified and rationalised scheme of computing power from ICL, and a growing user realisation that there were, after all, common needs, the movement towards a formal group is a strong one.

Neville was also very keen on the set-up of a local user group, he told *NBR*, and ICL itself could help by encouraging users and providing secretarial facilities.

But he was aware of the danger of the manufacturer assuming too strong a role in the group. It must organise itself, he said, or it ran the risk of being criticised as a "fan club".

Computer training

Govt agrees to back programmer training course

by Stephen Bell

GOVERNMENT support has finally been arranged for a training scheme aimed at relieving one of the country's critical shortages — of computer programmers.

But the support might prove just too generous; students who have until now had to pay two-thirds of the $1500 cost of an intensive Cobol programming course now look like getting it free of charge.

The training effort is a collaboration between consultancy Idaps and a group of employers, who will take on the products of the course, providing they are satisfactory.

Formal approval of the funding still waits on the next meeting of a joint training and incentives committee from the Labour Department and Vocational Training Council.

But all necessary conditions for approval have been fulfilled, said a VTC spokesman.

The funding is aimed at allowing the course to find its feet, and eventually it will have to become self-supporting. Nevertheless, this is the first time a private sector training course has been subsidised by the Government to such an extent.

The first course was run a few weeks ago, on the basis that a third of the fee was paid by the prospective employer and the rest by the student.

Funding will now be a 50/50 split between employer and Government subsidy. The student will be required to pay nothing.

Course organiser Doug Ruhen, of Idaps, admits to some apprehension at this arrangement; it clearly poses the danger of "dilettantes" entering the course, with no firm intent to become part of the programming workforce.

Payment of some proportion of the fee would ensure some measure of "commitment" by the student, Ruhen thought.

In search of some assurances that students were serious about becoming programmers, Idaps has reserved the right to review the student's progress after three weeks of the eight-week course.

The dilettantes could then be weeded out and the expense of their further training at least saved to spend on another student.

Pressure for the "no-student-charge" option came chiefly from trade union representatives on the VTC's Microelectronics Training Committee.

Most of the students are already virtually assured of a job with the employer taking the course, said one of these representatives. "If I were unemployed and this course was going to be my meal ticket, I'd feel very highly motivated."

In the case of a more typical course, she added, the employer would normally expect to stand the cost, and there would be no fee due from the trainee.

But it is clear that the expense of conventional training courses, combined with the possibility of having a comparatively unproductive member on the staff has, in the past, discouraged acceptance of trainees, creating a scramble among employers for scarce trained staff.

The arrangement arrived at will still reduce the employers' expense as compared with a conventional commercial course, while not putting an unemployed person to any expense to procure necessary training.

The Idaps course also tackles another factor which has discouraged the employment of trainees; that supervision of the trainee's work by an experienced programmer tends to reduce the latter's productivity as well.

Idaps undertakes that one of its own trainers will be on call for a few weeks after the course to help with this induction process.

At the moment, Idaps provides only one course, on Cobol programming, with intensive "hands-on" use of interactive programming terminals.

The consultancy is, however, planning to expand into training in other programming languages and systems analysis.

Before official approval of the Idaps course as worthy of government support its content and the reaction of employers were intensively surveyed.

DATA PROCESSING

Management

Computer at both ends of project control

THE computer plays a two-edged — one might even say a two-faced — role in the classic maoagement problem of project development control.

It is an excellent potential tool for the application of rigid project control methods. But, on the other hand, it often becomes the ceotral subject of a complex project control exercise itself.

The development of computer-based systems is well-known as one of the most difficult types of projects to control adequately, so as to end up with a product of good quality within reasonable time at acceptable cost.

Both aspects were tackled at the recent ICL users' conference. But the question is clearly relevant not just to ICL users, nor to computer users; it is a general problem for a managemeot which will become increasingly reliant on computer aid.

Norman Stannard, of the New Zealand Electricity Department, gave the good news oo the computer's role in the central task of managemeot — "the effective deployment of available resources to attain desired objectives."

Stannard, management services engineer at the New Plymouth power station, drew on his experience of computer-aided techniques in both the development of the power station's five-generator set-up and the task of ongoing plant maintenance.

But the lesson was a general one in applying the "classic management loop". He summarised the stages of the loop as, first, to forecast needs, then plan required resources, thirdly organise and co-ordinate activities and finally to control and monitor progress. The output of the last stage naturally fed bock into the forecasting stage.

Ooe of the basic techniques used for both tasks was the program evaluation and review technique (PERT), otherwise known as the "line of balance" or critical path method.

The tool has been known since the 1940s, as a manual method of analysing a task in terms of the time and resources required for each operation, deducing which operations can be performed concurrently, which are time-critical and which can be allowed to "slip" a little, and thus arriving at a time estimate and resource use picture for the whole task.

For complex tasks, the computer is an ideal tool to speed performance of the analysis, and to provide rapid feedback on actual progress of activities. This allowed the plan to be updated continually, closing the "loop".

ICL's computer implementation of PERT was used successfully as a management tool for the construction of the power station, on a timing basis only, Stannard emphasised, not to control resource allocation.

Both aspects, however, came into the picture when it was decided to call on computer aid for certain aspects of plant maintenance management.

"Different work types lend themselves to different management tools," said Stannard. "To date, a comprehensive set of EDP software has yet to come to land."

For regular overhauls of equipment and prompt repair of major plant item breakdowns, PERT proved an ideal tool, but manual implementation required a good deal of effort — one iteration of the "loop" was a matter of three man-weeks.

The process took longer than could be afforded for management decision making.

With computer power provided, at first from outside and since early this year, from its own machine, the power station has been using PERT more effectively, since 1977, to co-ordinate the task of remedying a plant "outage", in terms of time, manpower and tool and machine availability.

By speeding repairs, Stannard reckoned that as many as 30 machine-days per year are being saved. Considering power replacement by burning oil, the saving could be equated in monetary terms at $215,000 per machine-day "and that's not just money saved by us; it's money saved by the nation," said Stannard.

Dick Wheeler, of the State Services Commission, also saw considerable saving of effort and money as the result of the decision to use the Spectrum discipline to control the development of government computer systems over the past 18 months.

Benefits had been not only in terms of more accurate costing and completion of systems on time, but also in redirecting or cancelling at an early stage, projects which clearly would have proved too expensive or inadequate for user needs.

The Spectrum method provides a series of standard procedures to be followed in developing a computer-based system, from initial proposals to final production running.

Frequent reviews of cost, scheduling and quality are enforced, with certain defined "deliverable" items and documentation to be generated at each stage.

Critical to the implementation of the technique is constant involvement of the end user; a creature too often forgotten in the depths of EDP development.

The quality review board set up to perform part of the monitoring task consists "not of *representatives* of users, but of actual users," Wheeler emphasised.

Management involvement was also critical to the success of such a technique. Besides management's obvious role in co-ordinating the development of the systems, commitment to a technique such as Spectrum at a high level of the organisation served to encourage those lower down to persevere with the technique and what might be seen as "nit-picking" points of documentation and procedure.

In terms of actual productivity, he told *NBR*, measurable improvement had been minimal. But this picture was perhaps misleading, considering the effort saved on inappropriate development.

The close control given by Spectrum allowed extra manpower to be brought into development only when needed. In pre-Spectrum days, there had been a tendency to allocate extra people in advance in case they were needed.

"For too long management has been content to leave computer development to the technical experts," he said. "Spectrum, we have found, is a means of bringing practical management into the computer development area."

Communications

DATA PROCESSING

Packet-switching standards still not fully settled

WHILE a supplier has been selected for New Zealand's public packet-switched communications network, the Post Office apparently still doesn't know what it or the public will eventually get.

The detailed 40-page tender document still left some points in doubt, a Post Office spokesman admitted; and, since the company selected was French, there may have been "language difficulties" in the way of mutual understanding.

The problem stems from the flexible definition of the X-25 packet-switching standard. Though its individual features are well-defined, it is still something of a "shopping list", with the user, or supplier, able to select the features most appropriate for the country concerned.

Obviously, this would be a question not only of the requirements of local users — which are in any case difficult to judge in advance — but of what facilities fitted together, of cost and of the experience of successful tenderer SESA in setting up previous networks.

SESA "complied with all the mandatory specifications in the tender," the Post Office emphasised, but "we don't yet know what else we'll be getting."

While certain of the optional facilities would be desirable — such as the ability for one location to have multiple "addresses" for packet-switched messages — the average user, in the early years at least, will have an eye chiefly to the basic-switching facilities, their efficiency and, above all, the cost.

Definite news on tariff levels will be forthcoming within the next two months, promised Post Office representative Dave Richards. Rates would be "very attractive", certainly for calls of short duration, he added: "much less" than the cost of a permanent leased line.

But, he warned, it would be a matter for the user to weigh up the potential savings against the possibly considerable cost of changing from conventional communications to packet-switching, in terms of replacing hardware and software.

The major rationale of the packet-switching network is to pull back some of the communications capacity being taken up unnecessarily by permanent links which are used only for short bursts of communicated data.

By maintaining a shared network in place of dedicated links between one site and another, it can also offer the user decreased cost and, it is hoped, improved reliability. Collapse of a line, disastrous in dedicated leased-line mode, would, in the packet-switched network, simply lead to the data being switched by an alternative route.

Messages are routed around the permanent network much as a parcel is routed through the postal system; each subscriber having a definite address, which is also appended to the information being transmitted.

The network will, however, be arranged to simulate dialled calls or a permanent leased connection. In the latter case, the addresses will be permanently programmed into the packet-switching nodes, so that traffic from one source will always be routed to the same destination, without having to repeat its address.

Charge for the service will be on three levels, said Richards; a monthly rental to be a subscriber to the network, a call duration charge (probably only about 1 or 2 cents a minute) to discourage people from leaving "virtual" connections programmed in for long periods; and a volume charge, in proportion to the amount of data transmitted.

Most of the major computer manufacturers now support the X-25 packet-switching standard, which represents part of an "open system interconnection model" being developed by the International Standards Organisation.

This model, when completed, holds the promise of various manufacturers' computers and terminals being able to communicate with one another directly through the packet-switched network.

Forecast service

AN Auckland consultancy will provide a computer-based sales forecasting service for retailers who cannot afford their own resources for a complex analysis of the market, or who are simply too occupied running their day-to-day business.

Apteryx Business and Sales Forecasts will ultimately offer three distinct services, said principal Dick Wauchop; but the first and doubtless the most popular is a pre-digested forecast of sales trends over a whole market sector, issued in paper form, monthly.

Each digest includes predicted sales figures for up to 12 months ahead, based on three, six, and 12 month mathematical "models". These are expressed both as actual amounts and as a percentage increase or decrease over the corresponding period last year.

The document also gives a general discussion of the trends, pointing out any "danger flags" for the months ahead, and a "further outlook" indication beyond the 12 months.

Market areas initially covered will be: furniture and soft goods; electrical and home appliances; builders' supplies and general and department stores.

The company is developing services for further types of retailer, including butchers, grocers and dairies and footwear and garment outlets.

CNG conversion — the principle is accepted, but...

by Ann Taylor

Taxi drivers love it, the Government preaches it, Caltex is in to it but the public seems reluctant to go for it.

Compressed natural gas — you must have seen the ads on television — is a cheap, indigenous, available transport fuel.

But only 14,000 vehicles have converted to date and, in the wake of the confusing LPG price rise, the number of conversions has slowed.

The stable Opec oil price, the high profile of the Mobil synthetic petrol plant and the shortage earlier this year of CNG refuelling stations seem to have shied potential customers away from conversion.

It is a sobering thought while prices for refineries and processing units are tossed around to a pre-election high that the oil bill tops them all at $1238 million for the year ending June.

The New Zealand dollar is slipping in value and world security and the future of our incoming supplies is, at least, ponderous.

All moves to self-sufficiency are only plans until they are realised but it does make economic sense to be examining alternatives. CNG would seem on the face of it to be a sensible and economic option for people to take.

But lack of confidence in the Government to hold the price down, performance difficulties, public apathy and the length of the payback period following conversion seem to be discouraging people.

The "they did it to LPG, they'll do it to CNG" attitude is the latest deterrent. The price of LPG rose to accommodate the cost of a new nationwide distribution system. LPG is transported by tanker while CNG is supplied to compressors through the same gas pipelines used for industrial and domestic consumers.

The cost of supply is therefore spread — the industrial users providing the base load — and there are no plans to reticulate gas to the South Island.

As waiting lists for conversions in Auckland drop from four weeks to "one week if we're lucky" the Government has not wavered in its commitment to CNG.

Energy Minister Bill Birch, Undersecretary Barry Brill and the Prime Minister reiterate in their speeches their commitment to keeping a substantial margin between CNG and petrol prices. Indictions are, they say, that CNG will retain its half-price relativity with petrol. But, as one critic put it "unless they say what the margin actually is there is no real assurance."

The CNG industry — compressor, conversion kit and cylinder suppliers, installers and retailers — has grown around the Government target of 150,000 conversions by 1985.

People with a sympathetic Cabinet ear have "always regarded it as an unrealistic goal" but the Ministry of Energy remains confident that it will be achieved by the end of 1985 now that the number of refuelling stations is on the increase.

The industry is poised with thousands of kits and cylinders waiting in Auckland warehouses. The number of stations is fast proliferating with 100 due to be operating by Christmas and Caltex committed to opening a chain of "about 50".

Earlier this year the lack of refuelling outlets was cited as the reason for slow conversion rates — that situation might reverse with not enough cars on the road to "service the service station!"

The Auckland and Wellington areas are now well provided for but "we haven't hit those main centres," said Paul Burton, sales manager at Dual Fuel Systems. They haven't been doing too badly with a turnover of $3.5 million in the first year of operation but he said business is slow.

Burton, like others in the industry, says the Government has done its bit and "we've got a lot more to do as an industry." Dual Fuels is about to open a specialised tuning station for CNG vehicles in Auckland.

"Every time the Government comes out with something positive or there's a war in the Middle East, rationing is talked about or the price of petrol goes up, our phones run hot," said John McAuliffe, of D McL Wallace, one of the larger equipment suppliers. Its biggest business at the moment is in fulfilling Government contracts.

Conversion costs range between $950 and $1400 after a $200 grant is made to the wholesaler of each kit. Companies can, at the moment, write the full cost of conversion off against tax in the year of expenditure.

The average price of CNG, including the road user charge imposed, is 34 cents a litre equivalent of petrol. The price of petrol is 61 cents a litre at the moment — a saving, therefore, of 27 cents.

For a car doing 100 kilometres on 10 litres (10 kilometres per litre or 28 miles per gallon) a conversion cost of $950 is repaid after 35,000 kilometres.

If the conversion costs $1100 (the average for one cylinder) the payback distance is 41,000 kilometres. After the payback period the conversion kit still has a value and the savings continue to accrue.

Returns *NBR* received from companies in the industry indicate that with the current margin between CNG and petrol and with a conversion cost of $1250 a private motorist who drives 30,000 kilometres a year would take a year and a half to pay back the capital.

A hypothetical company which converts its varied fleet of 50 vehicles at a total cost of $51,350 can write off 100 per cent of the cost against tax. At a rebate of 45 per cent its net cost is $28,243.

Whereas previously it had used 124,300 litres of petrol at 61 cents costing $75,823 it is now using 88,613 litres equivalent of CNG at a cost of 23 cents a litre equivalent which costs $20,647. The company has its own compressor and the CNG cost is lower than normal retail. Road user charges, still being charged on CNG but in reality largely evaded, cost $7931.

The net cost of conversion was $51,350; net cost of installing a compressor $74,967 and the savings which accrued over the first year were $47,245.

From April 1 next year the tax write-off provision will change to a loan scheme which will probably be administered by the Development Finance Corporation.

The road user charge, which was to come off on October 1, will be replaced on April 1 by a tax payable at refuelling points of about 6 cents per litre equivalent.

CNG's short history has been marred by slumps in public enthusiasm. Plans were laid for widespread use of CNG in 1979. The Auckland and Wellington gas companies had already done their homework — "It's all been a renaissance for the gas companies". The Energy Research and Development Committee (NZERDC) under the chairmanship of Dr Colin Maiden — who is now holding Mobil's hand as it weathers the election — reported on its viability. It laid out plans, among others, for converting 500,000 cars by 1985 and at that rate said CNG would constitute one quarter of imported gasoline.

It called on the Government to abolish sales tax and duty on the imported kits and compressors and advocated a $2 million Budget allocation to convert Government vehicles. A tax rebate of $150 a year for three years for private motorists, a grant of $300 for non-tax-paying organisations and a 100 per cent tax deduction for companies in the year of expenditure were also recommended to make CNG attractive to all groups of vehicle owners.

Manufacture of parts locally, greater efficiency in distribution of equipment and regular review of the financial incentives were advocated.

Welgas chief executive Lloyd Brown, given a one year assignment by the NZERDC to study and report on the potential of CNG as an automotive fuel, came back from extensive overseas travel with three scenarios — 80,000, 200,000 and 500,000 vehicles converted by 1985.

All scenarios were based on converting only commercial fleets which represent the quickest and most convenient target for mass conversions.

The June 1979, Budget offered a bouquet of incentives to CNG users "parallel with those announced last year for LPG users". Immediate provision was made to write off conversion costs for businesses changing over. And the Government announced it was prepared "to give an undertaking that any future change in fuel taxation will not disadvantage either (LPG or CNG) relative to imported fuels".

Many consumers accuse the Government reneged on that commitment to LPG and hence fear it will do the same with CNG, despite the frequent protestations otherwise.

The 1979 Budget also provided for a grant of 25 per cent for compressor installation and the immediate write-off for tax purposes of the balance capital expenditure on schemes which qualified for the grant.

In July 1979 the Government set the 150,000 target and aimed to be converting 30,000 a year by 1982.

The Liquid Fuels [illegible] Board had a team [illegible] ing 1979. That [illegible] been the largest [illegible] user of CNG. The [illegible] reported back that "a [illegible] margin is required between petrol and CNG". It recommended that a national [illegible] ing that at least a [illegible] retail price for CNG should be set and that the local manufacture of CNG equipment be investigated.

There is a remarkable absence of legislation covering CNG installations, [illegible] and conversions. The industry had to hold its breath while Standards Association prepared standards for safety.

The dangerous goods inspectorate had no recourse to a book of "do's and don'ts" for CNG and a row blew up over the use of Italian cylinders. Eventually the labels and booklets with the cylinders were translated and the cylinders were allowed back on the market.

Some of the problems which have not been squarely faced by the industry include the difference in the gas from the Kapuni and Maui fields. These cause different engine ignition reactions and have not been dealt with yet.

Successes include ongoing experiments with diesel and CNG in combination. And the Palmerston North bus fleet operators report savings of about $1600 a week from their conversion from petrol.

In November last year the Government announced a [illegible] package of incentives to CNG stations and motorists, a $200 grant on conversion. It covers sales tax and import duty.

In the package was a commitment to remove the road user charge, more incentives to build refuelling stations and a $60,000 contribution to a publicity campaign. CNG was removed from price control then.

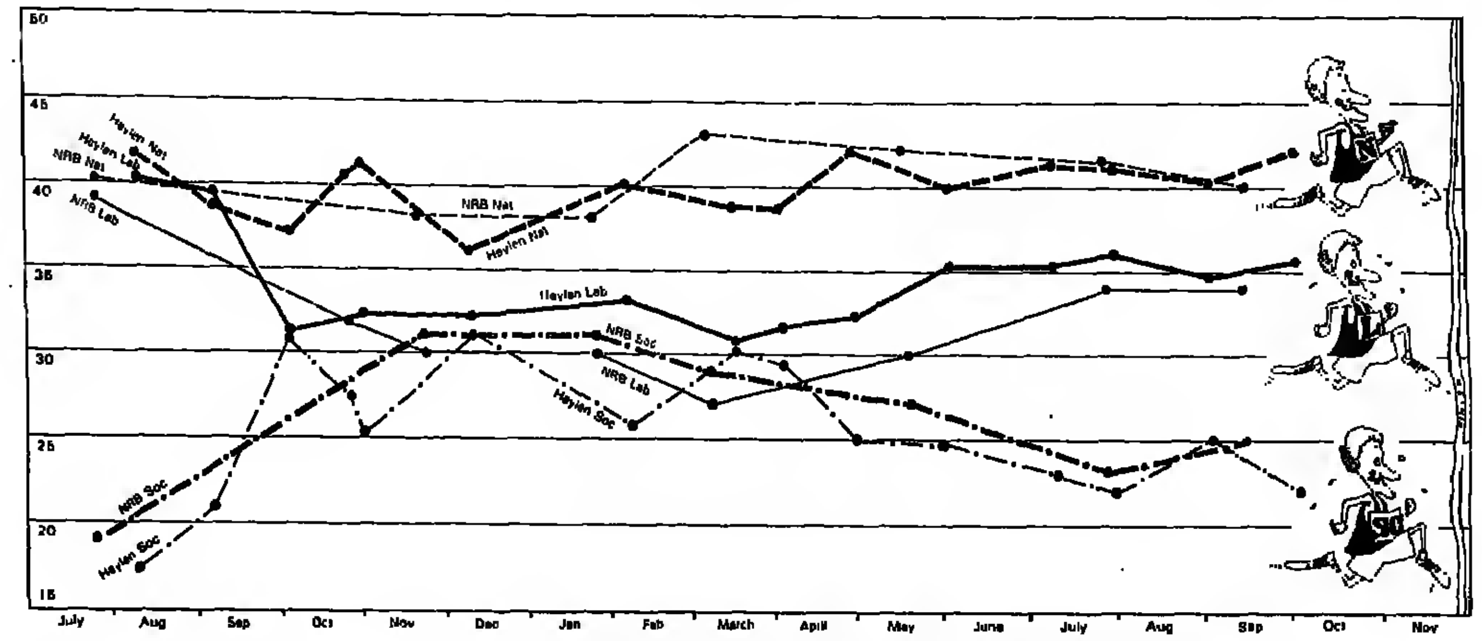
The Government's commitment is well illustrated in conversion of its own vehicles. By August, 1625 had been converted with tenders out for about another 2000.

The Government recently announced further incentives to manufacturers to [illegible] CNG equipment in New Zealand. But the new industry is fraught with pros and cons.

"If the manufacturers go into it in a big way it will take business away from installers and make it into a second-hand market," said one supplier [illegible] had time to talk because he had no converters booked in.

Those confusing polls: is National holding support?

by Colin James



AS Parliament closes and MPs head off for the hustings, the signs for the election are anything but clear.

National still led in the polls in early October and seemed to be doing relatively well in the countryside — but not so well among businessmen.

Labour was trailing National by an increasing margin in the polls, yet was in better internal shape than for six years.

Social Credit appeared to have broken its spring run — or had it?

The polls graph seems to tell a clear enough story.

There is National well clear of Labour and seemingly heading slightly upwards, though maybe flattening off.

There is Labour apparently levelling off after a long-term pullback from its disastrous slump after the East Coast Bays by-election.

Put your ruler on the two lines and there is no way they will cross before the election.

On the face of it, while it was Labour that took the battering when Social Credit suddenly climbed last spring, as Social Credit has fallen back the fallout seems to have been to both parties.

Detailed analysis of the figures in the Television New Zealand Heylen Poll for October 3 shows Social Credit still continuing to recruit more from Labour than from National in a ratio of just under three ex-Labour votes for every two ex-National.

And among the crucial pool of "new" voters (the bulk of whom are under 24), Labour still comes out worst in recruitment, whereas once upon a time it came out first.

There are other good signs for National.

Farm prices are still relatively good. There has not been any serious disruption in the freezing works since 1978. Farmers' two main gripes, loudly voiced in 1978, are muted this time.

And in a measurement of parties' images taken with the October 3 poll, National's image seems to have improved on its showing in the previous measurement taken in June.

That will be examined in more detail next week, but it is noticeable that more people were prepared to give it good marks for its economic policies and its leadership.

This might follow from two things. One is the dogged propagandising of its "growth strategy", now being followed up with a daily pamphlet pinpointing past growth and future growth policies in various areas.

The other is the distinct sign

Continued Page 42

The issues

ELECTION WATCH '81

Abortion: Lying low suits both sides of the issue




by Jo Lynch

DESPITE the fact that the abortion rate is higher than before the Woolnough trial in 1975, most MPs and certainly the political parties are keeping a low profile on the issue.

To some extent the obortion question has been pushed out by other issues. As a moral issue the tour has taken the place that abortion filled before the last election and this year the sharper divisions between the policies of the three major politicol parties mean that most people will be making a choice about the country's future economic development and ore unlikely to be persuaded to make a single issue vote.

Even John Kennedy, editor of the Catholic *Tablet*, who took an influential anti-abortion stand in the last three elections, warns his renders that in 1981 the most important, debatable and confused issue is National's growth strategy.

But aside from the other major distractions, politicians have been able to dodge the abortion issue this year because, with the passing of the Contraception, Sterilisation and Abortion Act in 1977, they produced an ambiguous answer. The abortion lows are generally understood to be conservative, while the outcome is fairly liberal.

Moreover, the manner in which Parliament devolved responsibility for the implementation of the laws to the Abortion Supervisory Committee (ASC), has ollowed Parliament to virtually wash its hands of the whole business.

Recently in the House, Justice Miniater Jim McLay was asked whether his department "wos satisfied that the human rights of the 1751 children aborted last quarter have not been violated." He replied that as the ASC, not his department, administered the Act, it did not have a view!

Needless to say the ASC, which is in effect a department of state without a minister, has provoked criticism not only from those alarmed at the precedent that this arrangement may set up upsurping the responsibility of the courts for interpreting the law, but also from those who find the committee's interpretotion not to their liking.

The Society for the Protection of the Unborn Child (SPUC) has the most to complain about. Ever since the figures for legal abortions gradually began to rise in early 1978 the society has criticised the ASC for failing to work within what the society claims to be the spirit of the Act.

By the end of 1979 SPUC pressure had produced results and Parliament dismissed two of the three members of the committee. Inevitably the third member, the committee's second chairwoman, resigned.

The three new members, said to be conservative, have not manoged to slow down the abortion rate. Now, with two Government-funded clinics in operation and the ASC lobbying for a third, SPUC is suggesting that there should be a new law, one in which the only grounds for abortion would be to prevent the deoth of the mother.

Ever — well-organised SPUC produced a film (which was quickly banned from cinemas because of direct action by pro-choice people) and brought a leading American "pro-file" campaigner to New Zealand.

But this time the society seems to have missed the mark. Parliament has shown a definite reluctance to spend much time debating abortion and would be little disposed to take on a second attempt to make a law.

Also, few but the strongest anti-abortion MPs would be likely to support SPUCs new demands when the public have shown an overwhelming preference for reasonably liberal abortion laws.

Finally, the society's decision to latch on to the big "pro-file" American campaign ignores the fact that in the United States the anti-abortion lobby, which has become the conscience of conservatism, is fighting against a liberal abortion law, not as we have here, a more restrictive one.

In the United States the abortion rate per 1000 women between the ages of 15-44 is 30.2, while in New Zeoland it is 8.5.

If one lobby has gone too far, the other now lacks the spontaneous upsurge of public opinion which gave it weight in the elections of the 1970s. The majority of the pro-choice public, mollified by the availability of abortions in at least some centres (Gisborne, Polmerston North, West Coast and Invercorgill ore notable exceptions) is no longer worried that the low is restrictive.

It is left to a much smaller group of people who are concerned about the principles involved, to pressure for change.

The nationally organised pro-choice group, the Abortion Law Reform Association (ALRANZ), like SPUC wants a new law. At present, it says, women have no right to take part in the decision-making process and the association wanta the grounds for abortion widened so that the decision to terminate a pregnancy rests with the woman herself.

Certain safeguards — no abortions over 12 weeks, counselling and the consent of the doctor — are also proposed.

But it's not just the grounds for abortion that offend ALRANZ and the other pro-choice group, the Women's National Abortion Action Committee (WONAAC). They object to the present system which gives almost complete power to the three members of the ASC.

There is no recourse to the courts and the Committee is able to dismiss or not reappoint certifying consultants if, in the members' view, they are too liberal.

To some extent the alleged direct interference with medical ethics has decreased since the early days of the committee when its letters to Wellington doctors and the Wellington Hospital caused an uproar.

Nevertheless the ASC still claims that the abortion rate is a matter of concern and that it is the committee's objective to further reduce the numbers performed. It wants better education, changed attitudes (it does not say to what), more effective use of contraceptives and improved counselling.

ALRANZ claims thot, apart from developing a counselling service, these objectives are outside the committee's functions and powers.

Indeed improved sex education and contraception are illegal for those under 16. Last year 4.8 per cent (that is 284) of all legal abortions were for young women under that age.

Not that ALRANZ and WONAAC don't support improved sex education and controception. Both have been actively campaigning for such services. But this year they are a small voice.

Parliament's disregard for the "Repeal" petition which carried over 300,000 signotures, the Government's decision on the Johnson Report and the general conservative backlash against the women's movement has left many abortion liberals dispirited.

Neither are they encouraged by the policies of the three major political porties. Only Lobour has a policy on abortion and its promise of a referendum within six months of taking office goes agoinst the liberals' demand that o woman should be able to make her own choice.

They also, like the anti-abortion lobby, see difficulties in framing a suitable question for the referendum. It is a complex issue and there is a possibility that the results, which would be binding, will not accurately reflect the electorote's view.

The present system, o conscience vote by MPs, does not, of course, reflect the electorate's views, either. While it appears the majority of New Zealanders are liberal the anti-abortion MPs hove a majority of eight in the House.

It is a mojority which is grodually dwindling. Eight anti-abortion MPs are retiring this year and five have been replaced by pro-choice candidates. SPUC is understandobly anxious about its political future.

This steady process of the retirement of older and often more conservative members is what some pro-choice people are banking on. It's another reason not to push the issue.

For politicians who show no signs of pleasing either the pro-choice or the anti-abortion lobbies such silence must be a blessing. Lying low is obviously the only way to play it.

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The polls

Is there some cheer for Labour in Socred slide?

From Page 37

of an investment upsurge in manufacturing. For some months manufacturers have been reporting rising investment — and in new productive capacity, not just replacement.

If this is sustained — and I am told the investment is being made on the basis of an expected mild upswing in the medium term over the next three to four years — it could become a sort of self-fulfilling prophecy, providing a bonus for the Government in power at the time of a mid-1980s election.

But if Heylen's interviewees were responding to the growth strategy they were doing so despite three hammer blows to it in the week before the poll was taken: the slowdown on Marsden Point refinery extensions, the withdrawal of Alusuisse from the Aramoana smelter project and the delay of Mobil in signing for the synthetic petrol plant.

And it is highly doubtful they were picking up the cautious renewal of manufacturing confidence. Few have known about it.

Poll respondents themselves have been becoming more pessimistic, not more optimistic (though admittedly over a different time scale — the next year ahead, not the next three or four).

This is evident in graph two, which measures their response to a question: "Do you think that during the next 12 months the economy will be in a better state than at present, or in a worse state?"

During 1979 and most of 1980 the answer was overwhelmingly "no". Then during late 1980 those saying "better" increased in number and those saying "worae" decreased until in Autumn, 1981, they nearly met.

But since then they have diverged sharply and appear to be continuing to diverge. The rising inflation figure for the September quarter will not help that attitude.

Compared with three years ago, the poll respondents' judgment of economic prospects is much worse.

Does that mean people will flock back to National for good economic management? Or does it mean they will throw National out for failing?

One interesting imponderable: the number saying "same" is about 10 per cent higher than in 1978, perhaps reflecting more equanimity (and more goodwill to the Government in power?) than three years ago.

Perhaps it represents a deep cynicism. People began improving their economic judgment as election year approached, but as election year moves through and the following "pay-for-it" year approaches, they expect the worst.

Is that worst a Labour Government? Has National partly benefited from its insistence on the cost of Labour's promises?

The poll data do not tell us. But they do tell us that the economy, and particularly inflation within that general category, has become much more of a problem in people's eyes, now that the Springbok tour has faded as an "urgent" issue.

This resurgence matches the worsening expectations for the economy.

And unemployment is still top problem in both polls.

Together these should logically work against the Government.

So, too, should its continued difficulties: the Birch affair, the problems over "Think Big" and so on.

Taken together with the still broadly unfavourable image recorded in the October poll, all these factors suggest that this election is still developing as an anti-Government election.

There are supporting signs.

Opinion leaders in business have been speaking out in criticism of the Government's economic policies — and that in the holy period just before an election campaign when normally one does not criticise one's party of choice, especially if it is National.

The reason cannot be that they prefer Labour to National. Business leaders and the like never do that.

The only reason can be that they want a decisive change in policies, more to their liking and they are warning the Government that it may be in for a sharp shake-up in the election if it does not do something dramatic.

It is this attitude — that Muldoonist interventionism (and therefore Muldoon) must go if National is to count on the active support of business — that lies behind a groundswell in Auckland along the lines of "change your leader and we'll vote for you".

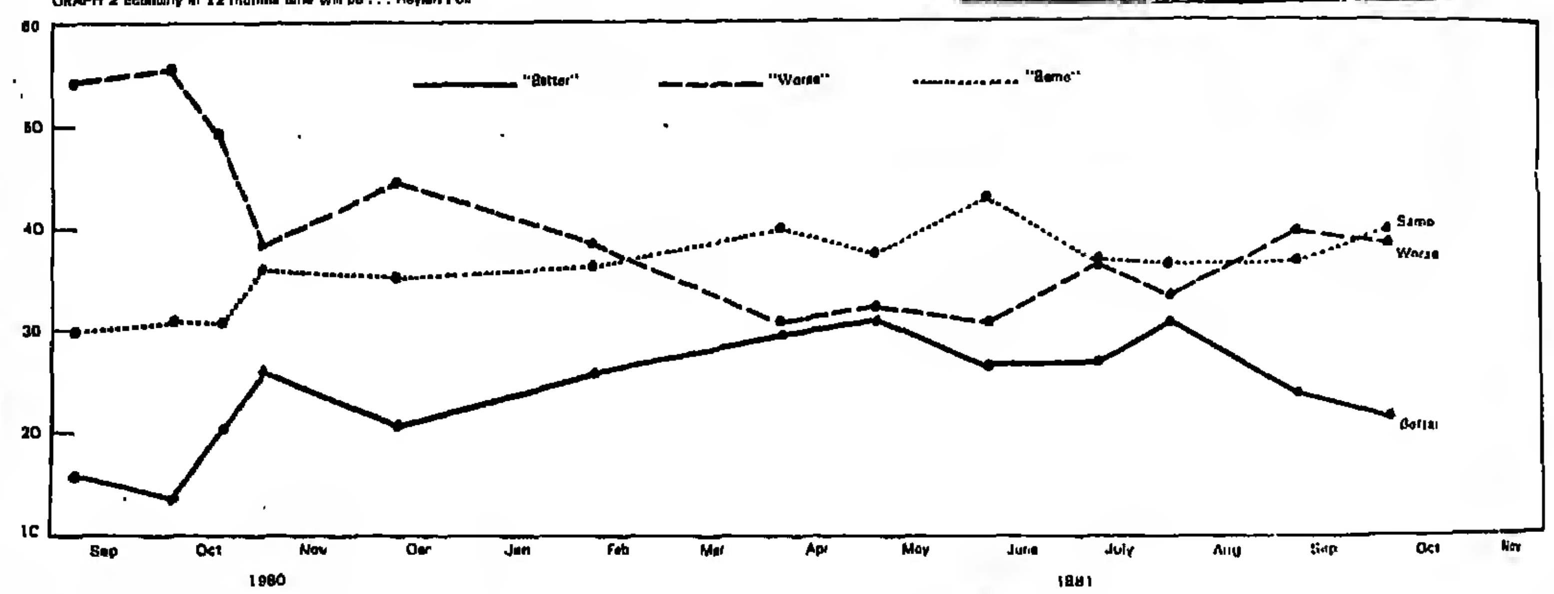
Some business people — and it appears no longer to be just a handful — are prepared to risk three years of a "could not be worse" Labour Government to get the sort of National Government they want.

If this attitude grabs hold, severe damage could be done to National in the campaign proper.

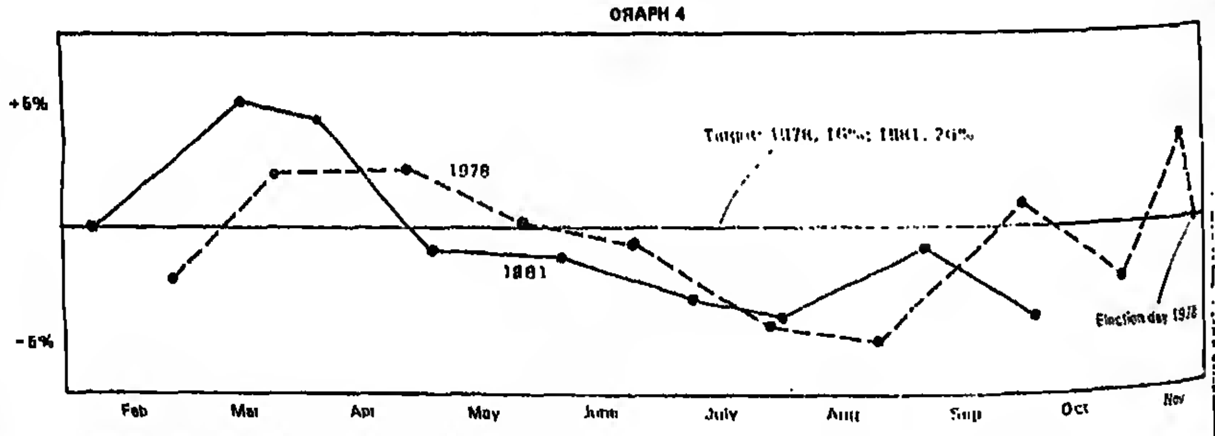
But for the moment, the graphs are pointing in the opposite direction.

Graph three shows National's margin over Labour in the Heylen Poll in 1978 (broken line) and 1981 (solid line).

GRAPH 2 Economy in 12 months time will be . . . Heylen Poll



GRAPH 4



Margin over and under target as recorded by Heylen Poll, 1978, 1981

It shows that throughout the winter, the 1981 gap between National and Labour was two to three points less than the gap at the same time in 1978. Since in 1978, the gap disappeared entirely on election day, the winter situation looked fairly good for Labour this year.

But whereas from June on in 1978 the gap was narrowing, this year it has been widening: an ominous sign for Labour. The gap is almost back to where it was in 1978 — and climbing.

One possible interpretation of this paradox is that Social Credit is picking up the anti-Government fallout.

But graph four suggests this is anything but clear. The usual spring rise for Social Credit has had a disturbing hiccup, with a downward plunge in the October 3 poll.

In 1978 (the broken line), Social Credit was on a pronounced upswing which pushed it through from well below its target of 16 per cent to meet the target exactly on election day.

But Social Credit is not nearly so clearly on target (26 per cent) this time. If anything it looks as if it is still mainly on its downward swing, heading for a vote in the upper teens or low twenties.

That, however, might be a premature interpretation. All through 1981 Social Credit seems to have gone up and down a little before it did so in 1978. The October 3 fall may simply be the 1978 October 28 fall in advance, with another upswing still to come — and with unpredictable results.

But if so, where will the effect be felt? If in the countryside, it would badly damage National, as Social Credit is poised to take Kaipara, Hauraki and Bay of Islands with not too great an increase in Social Credit's overall vote.

But there are signs — and the less cause for discontent adds some logic to the signs — that National may be holding better in the countryside than might have been expected with a 20 per cent plus Social Credit poll support.

Is the balance of Social Credit's thrust therefore shifting into the towns, where it is a fresher phenomenon and therefore perhaps more immediately attractive?

The discontent among business people — much less evident in 1978 than now — may be a sign that that is so. Unfortunately the poll data are not detailed enough to tell us — though what sketchy evidence there is tends to support the notion.

The implications are clear: If Social Credit takes more from Labour in the countryside than National, it puts Social Credit up with a chance of victory in National seats there on the basis of collapsing the Labour vote.

But if Social Credit is taking more from Labour in the towns then it is a seat like East Coast Bays, or Pakuranga — or Hastings where a Television New Zealand poll has shown Social Credit taking [illegible] Labour and giving to National (and thereby putting National's Hamish Kynoch far in front [illegible] sitting Labour MP David [illegible] cher) — that is more suscep[illegible] to Socred depredations.

And, particularly omi[illegible] for Labour, it could be work[illegible] against it in the National Labour marginals.

In other words, the "two elections" theory could [illegible] working in reverse — for [illegible] tional and against Labour.

There is, however, [illegible] water to flow under [illegible] bridges yet.

The campaign proper [illegible] almost certainly see a [illegible] towards Labour, as it has [illegible] in each of the past four [illegible] tions.

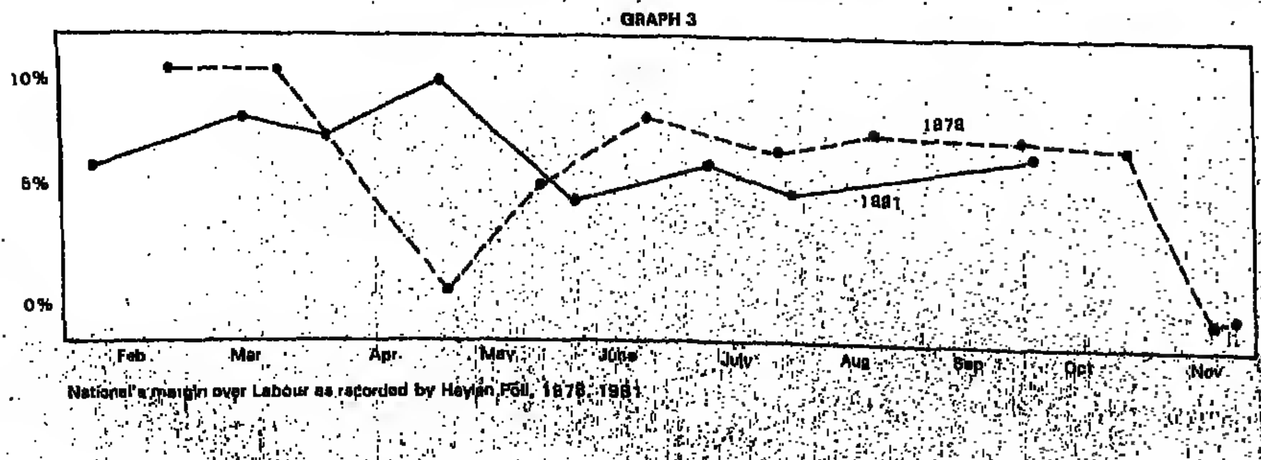
And if it was as big as in [illegible] or 1978, it would make Lab[illegible] the Government outright.

A sign against that: this [illegible] Robert Muldoon is under [illegible] riding orders not to go off [illegible] tails and lose votes by knocking people's teeth out.

And a sign for: in the [illegible] measurement taken in Octo[illegible] 3 shows Labour improving [illegible] public assessment of its [illegible].

That was a bugbear last [illegible] tion and throughout the [illegible] three years. If during the [illegible] paign, Labour begins to [illegible] strong party — albeit with [illegible] "weak" leader (who [illegible] came on strong in the [illegible] paign) — all National's [illegible] laid plans could gang [illegible] ly awry.

GRAPH 3



National's margin over Labour as recorded by Heylen Poll, 1978, 1981

The electorates

Potentially solid Labour — strong National splinters

by Colin James

THE north-western chunk of the South Island is basically Labour territory — or is it?

There can be no doubt about the West Coast. It went Labour in the early years of the century and has stayed that way ever since.

National has at best been a distant second — and not always that.

In 1969 and again in 1972 Barry Dallas, longtime mayor of Greymouth, stood as an independent and beat off National into third before taking the National nomination himself and getting as close as anyone, 2401 votes behind, in 1975.

In 1978 National only just squeezed into second ahead of an independent West Coast Party candidate 200 votes behind and Social Credit 350 votes away.

So Labour's shadow employment minister, schoolteacher Kerry Burke, should have no trouble bolting in again. Membership for Labour there is in the same league as National memberships — well above 2000.

But, paradoxically, though Burke is still serving his apprenticeship as a Coaster and thus should gradually be enticing back those who were suspicious of an outsider in 1978, his majority may well go down.

There does not appear to be an independent this time and National should benefit accordingly.

Further north Labour leader Bill Rowling, edged out of Buller in the 1971 redrawing of boundaries, holds Tasman against the odds. By all other measurements a seat like Tasman, with its small service towns and small holdings, should be National.

But Rowling's personal pull is powerful and, though Social Credit has been building up hopes of splitting his vote, it would be surprising if he were in any trouble.

Across to the east, Marlborough is one of those seats, like Wairarapa and Oamaru, which is logically more often National than not.

Solid majorities for National in the countryside outweigh Labour pluralities in the main town that forms about half the electorate.

But all three can go Labour when the time is right for a Labour Government — and all three did in 1972.

So Marlborough is crucial to the election outcome. If National holds here, the odds are that it will hold on to power.

Aware of that, Labour has been pouring a special effort into the seat, with help from the powerful Lyttelton electorate organisation, whence comes its candidate, Graeme McCann.

A factor in National's favour: grape-growing and mussel-farming are regenerating the stagnant local economy. Another: incumbent Doug Kidd doesn't start with the 1978 handicap of having to get himself known in a matter of weeks after the previous MP, Ed Latter, pulled out.

But if Marlborough has its interest as a knife-edge, Nelson is providing its own thrills.

Nelson has an independent streak: an independent, though Labour-supporting member for many years in the 1930s and 1940s; and in the 1970s, a strong Values presence.

This time its own Labour MP has turned independent to challenge his former party.

But will he take votes only from Labour? He has said he admires Prime Minister Robert Muldoon and Nationalists feel he is close to one of them. Will he take votes from National?

Or will he prove a more attractive choice for plague-on-both-your-houses voters than Social Credit?

Nelson will not decide the election. But it is an interesting little race of its own.

Nelson: all the options and unpredictable all the way

by Richard Fletcher

NELSON is the electorate with all the options. Disillusioned National and Labour voters here don't have to head for Social Credit. They can give Mel Courtney another go instead, or even join the Values supporters.

For many in a city which feels its isolation from the mainstream, the Courtney alternative may be attractive.

Standing as an independent, former grocer Courtney was initially attracted to Labour through Norman Kirk. Since then he has become disillusioned with the parliamentary party. He has taken an individual stand against the unions, for the Springbok tour, against abortion, and against the "left-wing intellectuals" in the Labour movement. And he supported the CSR-Baigent pulp mill proposal.

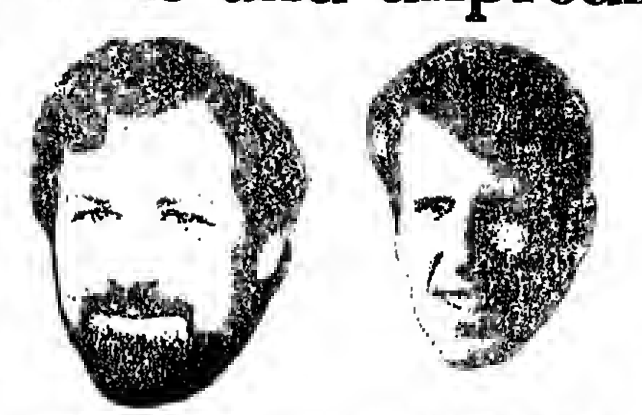
Courtney prides himself on his independence and his pronouncements particularly on Nelson issues have an almost pious ring.

He saw his job, after election, as representing all Nelson voters rather than the Labour supporters and he insists that if he continues as the local MP he will give more of the same.

Courtney says that over the years Nelson has had to make its own way and the isolation helps to maintain the city's unique way of life in an electorate where parties do not have a strong thing. "Locals get cross about central government," he says and — well before he quit the party — in 1978 he insisted the Labour Party's name should not be on his campaign material.

Labour's percentage of the vote last election was only slightly smaller than in the high tide of 1972, a fact which adds credence to Courtney's case. While losing some hard-core Labour votes he also may have gained support among less committed voters now he is taking on all the party machines.

But Labour's new candidate also has cause for optimism. Philip Woollaston is young, at 37, and as the son of painter Toss Woollaston, a prominent local personality, has useful local roots to draw on. A teacher and smallholder, he is a former chairman of the Golden Bay County Council, who received the plaudits of old-guard local body politicians and smallholders alike for his innovative approach to county management.



Wnollaston, Thompson . . . front-runners in a fiva-horsa raoe.

This could have attracted the more liberal element in Nelson society, including some of the strong Values support in a city boasting an influential arts and crafts population.

Labour officials claim that in the weeks after Courtney announced he would not stand for the party, more than 100 members were signed up and more people have offered help since then, many of them professional people. Labour has a fulltime office just off the main street and a caravan and the campaign has been bolstered already with visits from a wide range of MPs with more to come.

A focal point so far for all the candidates in Nelson has been a number of joint meetings on specific issues, including forestry management and industrial relations. Both forestry and the fishing industry are major employers in the region and how the Government attempts to deal with the "Tasman Bay slime" could tell on election day, as could its stance on forestry.

National's big chance, party workers say, would be if it "slipped up through the middle", if Courtney's intervention splits the traditional Labour vote. National organisers claim there are 6000 votes they can count on and that could be crucial in a five-way contest. Balanced against that, when Courtney opted to stand as an independent, some in the National camp, notably Mayor Peter Malone, a former candidate in both Tasman and Nelson, argued strongly against National's running a candidate.

This was on the assumption that Courtney would vote with the Government and was essentially close in his thinking to the party while not being a member. Courtney as an independent would also pick up potential Social Credit and protest votes.

National's local electorate committee and the party's dominion headquarters disagreed, however, and 36-year-old Gaire Thompson gained the nomination.

Thompson is a personable land valuer who until recently owned a garage. He and his people have been operating a low-key campaign, though they plan to build it up with visits from Prime Minister Rob Muldoon and a number of cabinet members.

Recently Thompson was photographed in the local paper shaking hands with Malone, which party workers claim indicate that the mayor has turned his support to the official party candidate, rather than Courtney — a rapprochement that would assume special significance, given the publicity from Malone's pro-Courtney stance on a recent TV programme.

For Social Credit and Values, the fight will most likely be for the crumbs left over. Both Social Credit's Neville McLean, an advertising executive with the *Nelson Evening Mail* newspaper and the Values candidate Mike Ward a jeweller and former art teacher, concede their chances are not good.

In the overall result, the intervention of sitting MP Courtney, as an independent enjoying the advantages of incumbency, must be an important factor with locals not committing themselves to the likely effects. Nelsonians point to Harry Atmore, who held the seat as an independent for 27 years. But Atmore, a monetary reformer of sorts, voted mostly with and had the tacit, if not overt, support of the Labour Party. Since 1948 the seat has almost always been held by Labour. If it does go National this time it may not be for long.

Will fast-moving Marlborough MP outrun support?

by Richard Fletcher

MARLBOROUGH is going ahead — but will it reward its present MP with another term?

Only a mile out of Blenheim the visitor can see the first grapevines and plots of stone fruit, with poles laid out for even more vineyards to service the burgeoning wine industry.

A few miles further on there are the forests, and in the Sounds mussel farming licences have been issued, with some farms already in production.

Outside Blenheim site work for a new freezing works are under way, as a back-up to the farmers who, moving away from the plains, are breaking in new parts of the hill country.

A planned expansion of a ski field in the St Arnaud Range, an hour's drive from Blenheim, would mean a winter as well as summer tourist industry.

This is the new Marlborough — but how much of the development has been helped by sitting Government MP Doug Kidd will be the question for voters on November 28.

Tall, thin 40-year-old Kidd took the seat after a comparatively short run-up after his predecessor, Ed Latter, pulled out, before the 1978 election.

After three years as MP, Kidd now says his thinness is partly the result of the speed he moves at. That speed was reflected in his efforts at preserving the Picton Ferry link almost immediately after his arrival in Parliament. Since then he has been actively involved in obtaining a three-year contract for Safe Air, the Woodbourne-based air cargo company.

Former Blenheim lawyer Kidd is standing on his record and his campaign material emphasises that. Kidd says his campaign started the day he took a seat which he says should not be taken for granted. Over the past three years Kidd has held between 15 and 20 meetings a year in the outlying areas of an electorate which stretches from the Sounds south to Kaikoura.

That continuing ground work is aimed to make sure National's rural supporters, so long the backbone of the colourful Tom Shand's backing in the 1960s, come out strongly on election day. More recently the party has concentrated on the towns, where marginal Marlborough is won or lost — as Labour's Ian Brooks, who took the seat in a 1970 by-election in the latter years of the Holyoake era, held it for the 1972-75 Labour Government and lost it in the 1975 Muldoon landslide.

To quote one local observer, "there is not much in it." In at least three of the five small towns in Marlborough there isn't, if past results are any indication.

Kidd's campaign officials claim the support is there, especially over the Springbok tour and through the efforts their man has put in for Marlborough over the past three years, which they sense have been noticed. As the campaign gears up they have planned visits from the Prime Minister, Jim Bolger and Ian Shearer. Already Duncan MacIntyre, Norman Jones and Jim McLay have been in the electorate.

On the Labour side, the "big guns" have been brought in to back up the local campaign to support Graeme McCann in his effort at toppling Kidd and recapturing a seat essential to win if Labour is to form a Government with more than a paper-thin majority.

McCann's pleasant easy-going manner hides a sharp political instinct. A 36-year-old former teacher and Lyttelton borough councillor, McCann has also worked in what he describes as a "competitive business environment for Rank Xerox." While in Lyttelton he was one of the people behind Ann Hercus's successful campaign in 1978. Since his selection for Marlborough, McCann has been working lo with Christchurch Central MP Geoffrey Palmer and says this has been a great help in his campaign. He believes there are local issues in Marlborough, such as unemployment, particularly among the young, and transport services that have been let run down in recent years. While there may be a good deal of investment coming into Marlborough with the horticulture and forestry developments, there have also been dramatic downturns in the boatbuilding industry and a Lane Walker Rudkin textile factory closure.

The Labour campaign organisation claims that membership is up on the 1978 figure and the large number of disqualified Labour votes last time could point to a surge of support for the party this election, with better party organisation. One Labour statement even claimed Labour would get at least a 2000 majority in what is admitted to be a highly marginal seat for National.

Because McCann hails from outside the electorate, the party has made special efforts to promote him in the local newspaper and radio station and an office in Blenheim has been a help in consolidating support. Social Credit has changed its candidate this year from veteran candidate George Kerr who stood from 1954 to 1978 to Ron Cullum, a 35-year-old building society manager.

Doug Kidd . . . eotiva

Smartly-dressed Cullum claims to have found disillusionment with the other two parties, and the league says it is picking up support across the rural and urban parts of the electorate. Social Credit bumped its vote up to 2300 last time and while membership is not high, Cullum believes there is a high uncommitted vote in Marlborough. While not confident of victory, he envisages a genuine three-way split.

The real interest, however centres on McCann and Kidd.